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EDITORIAL

As We See It

We beg leave to present the following two paragraphs from a recent address of the Republican candidate for the Presidency as worthy of the most thoughtful attention of all Americans with the good of their country and of the world at heart:

"In Korea itself we have a terrific problem. We are in a position where we are waging a war far from our shores, at great expense and great loss in terms of the blood of our young men. What we must do, first of all, is to make certain that those Southern Koreans, of whom there are 20 million, can be prepared to defend their own front lines.

"There is no sense in the United Nations, with America bearing the brunt of the thing, being constantly compelled to man those front lines. That is a job for the Korean. We do not want Asia to feel that the white man of the West is his enemy. If there must be a war there, let it be Asians against Asians, with our support on the side of freedom."

If current dispatches are to be taken at face value, systematic effort is now being made and has been for some time past to mould a real army from among the South Koreans. Front dispatches assert that some of these troops are now first class. Precisely on how large a scale all this is being done now at the eleventh hour is not known to us, of course, but it is obvious enough that we were very slow in getting at these tasks. If, indeed, there is any real validity in the supposition that somehow we owed it to ourselves and to the world to interfere with the course of events on the continent of Asia—then, of course, we should

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The Challenge to American Banking

By C. FRANCIS COCKE*
President, First Nat'l Exchange Bank of Roanoke, Va.

Outgoing ABA President traces complete transformation of old world, emphasizing need to discard current unsound financial fantasies. Scores indications of complacency toward easy way of financing Federal deficit through banking system. Urges bankers avoid succumbing to "governmentitis" through laziness and indifference

It is not a simple matter to be a good banker in this mid-twentieth century. Our role and the world have changed so much that the bankers of a century ago would hardly recognize us. The major problems of the banker of that day have long since ceased to disturb the directors assembled around our board tables. Hindsight is always better than foresight, and we can probably find a great deal wrong with what they did; nevertheless, these banking ancestors of ours did solve their problems, and this country was helped to grow because of them and what they passed on to us. The problems were different, but the faith which produced the courage to solve them was the same faith that we need today.

C. Francis Cocke

Most of the problems of our banking ancestors were purely domestic. They were problems of a young economy that often experienced growing pains, with a rapidly expanding population, a receding geographical frontier, and the marriage of science and industry to create the greatest productive machine the world has known.

The American banker was concerned with the flow of money and credit which was the lifeblood of this

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* An address by Mr. Cocke before the 78th Annual Convention of the American Bankers Association, Atlantic City, New Jersey, September 30, 1952.

ABA Holds 78th Annual Convention

Meeting held in Atlantic City, New Jersey, attracts 6,500 members from all sections of the nation. W. Harold Brenton elected President. Addresses published in full herein of Secretary Snyder; Senator A. W. Robertson; C. Francis Cocke; Joseph M. Dodge; Joseph E. Perry; H. Frederick Hagemann; Joseph W. White, and Walter E. Hoadley, Jr. 1953 Convention to be held in Washington, D. C.

By A. WILFRED MAY

ATLANTIC CITY, N. J.—The 78th Annual Convention of the American Bankers Association, held here from Sept. 28 through Oct. 1, was attended by 6,500 members. They represented institutions from every section of the nation, which

W. Harold Brenton

E. D. Reese

Wm. B. Gladney

hold approximately 99% of its banking assets. The Association elected as its new President, W. Harold Brenton, who is also President of the State Bank of Des Moines, Des Moines, Iowa; as Vice-President, Everett D. Reese, President of Park National Bank, Newark, Ohio, and reelected as

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MORE ABA ARTICLES IN THIS ISSUE—In addition to the material on the cover page, we present in this issue, starting on page 14, other addresses made during the course of the 78th Annual Convention of the American Bankers Association.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Nashville, Tenn. Electric Power Revenue Bonds — Stuart C. Campbell, Trust Department, State Street Trust Co., Boston, Mass. (Page 2)

Chicago & Eastern Illinois RR. Co.—Lawrence Klybert, Josephthal & Co., New York City. (Page 2)

STUART C. CAMPBELL*
Trust Dept., State Street Trust Co., Boston, Mass.

Nashville, Tennessee Electric Power Revenue Bonds

For some time now the glamour girl of the investment field has been the so-called growth stock. Admittedly anyone who 10 years ago foresaw the tremendous expansion which lay ahead in both gross and net for the Dows, duPonts, Monsantos, and their ilk, and purchased these shares, has now rather sizable gains. There is doubt how much longer this can go on without at least a temporary reversal of the trend. We hear now that the defense program has about reached its peak and while the stimulus from this factor will not increase to any appreciable extent, the stretch-out will carry business activity ahead for a further period than has originally been planned. There are also signs that the expansion in our industrial plant may begin to taper off. The day may not be too remote when the petro-chemicals, newer synthetic fibres, plastics, agricultural chemicals, etc. will follow the lead of the antibiotics into the field of over-supply. Then the bloom will be off the growth stocks for awhile at least and very likely a fall in market price will accompany their fall from grace.

Stuart C. Campbell

This is all by way of introduction to the thought that in any well rounded investment portfolio a balance should still be maintained between equities and fixed income securities. In the field of fixed income securities, the question arises, What shall I buy to obtain the highest yield commensurate with adequate security? I think that the electric power revenue bonds of the City of Nashville, Tennessee can pretty well supply the answer to this question.

First the question may arise, Why purchase a tax-exempt bond unless I am in a very high tax bracket? A glance at a table of tax equivalent yields will show that a tax-free yield of 2¼% is equivalent to a yield on taxable securities of 3.17% based on surtax net income of only $4,000. This yield of 3.17% is roughly comparable to what might be obtained from the purchase of any of the longer term issues of such well-known private companies as Consolidated Edison Co., N. Y., Ohio Power Co., Union Electric Co. of Missouri, Cleveland Electric Illuminating Co. and others. This yield of 3.17% transplanted into the tax-free counterpart of 2¼% is just about what can be obtained from a bond of the Nashville, Tenn. electric system due in 1972.

Of course this municipal bond would be increasingly more attractive as the tax bracket increases. For instance with surtax net income over $20,000 but not over $22,000, the equivalent yield on a fully taxable bond would be 5.92%.

Now a word about the Nashville electric system. The city itself ranks second in Tennessee as a manufacturing center with a good diversity of industry, including printing, shoes, stoves, coffee roasting, meat packing, hosiery and textiles, men's clothings, fertilizer, structural steel fabrication, vehicles and chemicals. Cellophane and rayon are produced in duPont plants near the city. Nashville is a prominent educational center, being the seat of Fisk and Vanderbilt Universities, George Peabody College, the Meharry Medical College and others.

The Municipal Power system in its present form goes back to 1939 when the city took over all the electric distribution properties formerly owned by the Tennessee Electric Power Co. located in Davidson County together with small adjacent areas. The system issued $15,000,000 bonds to cover cost of acquisition. Power requirements are obtained from the TVA under a contract expiring in 1959. This contract provides for power in quantities sufficient to cover maximum requirements of the system. The City Power Board has the right to establish rates at all times sufficient to provide revenues to meet all of its obligations.

Since 1939 the system has shown a rapid expansion. Residential customers have increased from 45,334 to 84,441, and what is more important the use per customer has increased from 1,473 KWH per year to 6,482. This latter figure compares with a country-wide average of 2.004 KWH in 1951. Gross operating revenues of the system in the 1941 fiscal year were $4,356,999 and in the 1952 year totaled $11,747,922. Net operating revenue, before depreciation, more than doubled during this same period and in the 1952 period was sufficient to cover peak debt service requirements including the latest issue of bonds sold Sept. 2, 1952, 2.11 times. Average annual debt service over the period 1953-81 would have been covered approximately 5.93 times in 1952.

The net plant account as of June 30, 1952 totaled $26,733,938 and debt of $16,465,000 was equal to only 62% of this figure. All bonds of the system are equally secured and are payable solely from revenues of the electric system. There are protective covenants regarding issuance of additional bonds, maintenance of adequate insurance, provision for annual audits, and appointment of a receiver in case of any default.

In view of the favorable characteristics of the territory served, the essential nature of the service supplied and the high domestic usage primarily resulting from low rates; as well as the favorable trend of earnings and the attractive yield offered, the Nashville, Tennessee electric power revenue bonds commend themselves as an attractive tax-exempt investment.

*Ed. Note: The views expressed by Mr. Campbell are his own and do not necessarily reflect the opinion of the State Street Trust Company.

LAWRENCE KLYBERT
Josephthal & Co., New York City
Members N. Y. Stock Exchange
Members N. Y. Curb Exchange

Chicago & Eastern Illinois RR. Co.

The reason for my selection of Chicago & Eastern Illinois Railroad Co. as the candidate for this forum can be summed up as follows: A pronounced and permanent earnings improvement is under way, resulting from financial reorganization and complete physical rehabilitation, plus aggressive development of new freight traffic sources, particularly for coal, as explained below. No longer a marginal road, but now a consistently profitable, soundly financed, 868-mile north-south line, C. & E. I. is a veritable keystone in the nation's railroad network.

Lawrence Klybert

The System

From Chicago, C. & E. I. runs due south along the entire Illinois-Indiana borderline to Evansville, Ind., on the Ohio River. About one-third of the way down, a multiple southwestward branch-off goes through Findlay in central Illinois to St. Louis on the Mississippi, while another main line runs south from Findlay to Thebes and Chaffee, with a short branch line leading off to Joppa, all on the Ohio River.

Some of the major east-west railroads cross C. & E. I. Among the big ones it connects with at St. Louis are the Frisco, Rock Island, Illinois Central and Wabash, and also the M. K. T. and Cotton Belt, both of which have been mentioned in merger talk. Other big lines connect at Evansville. Actually at more than 100 points of intersection, freight is interchanged with more than 50 other lines. Evidencing the "keystone" bridgeline nature of its traffic, is the fact that 85% of freight handled is received from, or delivered to, other lines, or is "overhead" traffic — rolled over C. & E. I. lines from one connection to another—with no terminal costs and a minimum of handling expense.

Capitalization

C. E. & I. emerged from 77-B reorganization in 1941, replacing $42 million of Fixed Interest obligations with $11.2 million of new 1st 3¾s, and $15.4 million Convertible Income 5s — and since then, there has been accomplished further reduction to about $8 million 1st 3¾s, $12.4 million Income 5s, or about 23%. These bonds are followed by 383,751 Class "A," $2 Cumulative Preferred Dividend Shares; and 411,166 Common Shares. (Note: Following the mid-year clear-up of all arrears on the "A" shares, the four quarterly 1952 dividends were declared, providing a yield of 9%, at

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Electronics for Defense And Peacetime Industry

By E. W. ENGSTROM*

Vice-President in Charge of RCA Laboratories, Radio Corporation of America

Prominent scientist reveals recent developments in the application of electronics for both military and civilian purposes. Sees television as the Number 1 opportunity in peacetime electronics, and points out revolution in electronic equipment due to use of transistors and other semi-conductors supplementing or replacing the electron tube. Holds electronics, more and more, is assuming functions formerly performed by men's minds, since it "has unlimited capacity to count, remember, and control."

Today we are in an era of "defense and industry"—inseparable objectives in these times. Here, electronics has a key role of ever-increasing importance. Out of each dollar now spent for national defense, approximately 10 cents go for electronics, communications and related items, a substantial increase over the electronics slice in World War II.

Dr. E. W. Engstrom

The Defense Department is expected to earmark more than $4 billion for electronic equipment in 1952. This figure will be even higher if one adds other governmental investment in electronics to support the three services. This is quite an order for an industry that in 1940 grossed well under a billion dollars. Not only in volume but in adaptability, the industry has made an impressive showing. Production of military electronic items is now at a rate seven times that existing at the outbreak of the Korean war. And all but 5% of these items are of new and improved design. As an industry providing peacetime services, electronics now ranks with the leaders. In 1951, the public paid close to $5,000,000,000 for its products and services, including radio and television broadcasting.

Such activity, such expansion does not take place without adjustments. Let us scan, then, what I consider today's Number One problem in military electronics.

As new instruments and vehicles of war come into being, they are ever more complex. Electronics has grown from a simple means of contact and communication into the central nervous system of military might. More and more, electronics is assuming functions formerly performed by man's mind. This is a requirement of the increase in speed of military vehicles and carriers. Man's mind interprets vital data too slowly to keep track of many modern weapons and vehicles. The ultra speed of electronic detectors, computers, and controls is now mandatory.

Thus, military systems, which must be competitive with each other, grow more and more rapid in their operation. The reaction time becomes too fast for human operation and related factors become too numerous for rapid human comprehension. Thus electronics steps in—

to react
to interpret
to compute
to control, and finally
to take the place of man's senses and mind.

The chains become longer, the systems more complex.

The men who operate and maintain this equipment have not changed, however. Because of electronics they are more powerful, but they, themselves, are not basically different from the man who drove the chariot or pulled the cross-bow.

Let's assume that this situation is represented by a triangle. The base of the triangle represents the man behind the anti-aircraft gun, the radar operator, or the jet pilot. This base we shall assume is unchanging in length. One leg constitutes the complexity of the system and this leg, as we know, has grown in length as the years, or even the months, have gone by. So far we have specified the base and one leg of the triangle. The base is relatively fixed—the human operator. The leg is varying in length and seemingly always becoming longer—the equipment complexity. Thus if we are to have a normal closed triangle, the other leg, which I have not so far defined, must grow in length with the complexity leg. What is this third leg of the triangle? It is the reliability factor of the equipment and system. If complexity increases, so must reliability, in order to keep the triangle closed. The reliability leg must always keep up with the complexity leg if these weapons are to be of any service at all. The most ingenious circuit in the world is no good if the fighter plane that incorporates it fails on its way to meet its target.

All electronic engineers have a deep responsibility here. Let us keep in mind this simple triangle — operator — complexity — reliability. A useful result will be achieved only under the conditions of a closed triangle. Reliability, the leg that gives us the

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*An address by Mr. Engstrom at the National Electronics Conference, Chicago, Ill., Sept. 29, 1952.

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*See article by Mr. May on Cover page.

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Upgrading Earnings On the Water-Level Route

By IRA U. COBLEIGH,

Author of "Expanding Your Income"

A conjecture on the possibility that New York Central is now ready to pull its own weight in the train of equities that make up the Dow Jones Railroad Average

While patience has ever been extolled as a virtue, if not a necessity, in successful speculation, long time cleavers to N. Y. Central common, it must be admitted, have been offered a dogged opportunity to make like Job. For a score of years they've waited; and they haven't scored yet! For example, N. Y. Central common hit 257 in 1929; in 1930 it paid $8 a share in dividends. Came the great railway erosion, and in 1936 CN sold for $6.75. Succeeding market surges carried it to 55 in 1937 and again to 35¾ in 1946 (with a low for the past six years of 9¼). The 23-year stock chart on CN, for those who fancy this type of mechanical drawing, looks like the last half minute of a roller coaster ride; and today an impressive book value of roughly $130 a share, is valued in the market place at a lowly $18.

Ira U. Cobleigh

How come? Is this soggy market history a prelude to more serious financial ailments? Frankly, I don't think so. While no effort here will be made to postulate a return to $2.57 a share on the N. Y. S. E. like 1929, some logic will be offered to suggest t-t existing quotations do not fairly express the facts and the future of New York Central operations.

First of all, New York Central in a vast system embracing 10,724 miles of main line track, and serving 11 important eastern states. Only Pennsylvania Railroad outranks New York Central in traffic volume, and the capitalization of this famous "water-level" route to Chicago runs well over a billion dollars. System funded debt at the 1951 year-end was stated, I believe, at $1,032 million, and was followed, without the intervention of any preferred issue, by 6,447,000 shares of common. Thus a terrific amount of leverage is provided, and improved gross can be swiftly converted into interesting per share enrichment.

With a fine non-mountainous route to the West, and the shortest line to Chicago, it might have been expected that CN would have led the railroad parade, and that perhaps this property rather than say, Seaboard, would have been the one to chug its common stock from below 20, to over 100, in the past five years. Part of the reason CN has not thus performed is because it's done too much "chugging." Dieselization on the Central has proceeded at a more leisurely pace than on most roads, particularly those emerging from the financial round house of bankruptcy. From 1945-51, 907 new diesels were placed in operation, almost 50% of them (420, to be exact) were delivered in 1941. Including units already ordered, by the end of 1953 about 2,000 diesels will be in service. Also since 1945, 840 new passenger cars have been purchased to the tune of $80 million. In total, Gross Expenditure for Additions and Betterment will total, for the five years from 1948 to the end of 1952 about half of a billion dollars. "That ain't hay," and a lot of it has not yet been translated into maximum earning power.

While it's most fashionable among analysts to stress dieselization, and the extent of same, as a major improver of carrier profitability two other sources of gains are usually ferreted out—sloughing off passenger losses, and improving yard efficiency. Well in the first department, passenger losses, CN does have a real problem. 15% of 1951 gross was from passengers and the actual loss in this human haulage was about $60 millions, or over $9 a share on the common! That's rugged. While the glamor trains like the "20th Century Limited" have always paid off, the little branch lines, and tank town passenger stops on the main lines are costly indeed. As a loss reducer in this section of operations, steam percentage of passenger miles was 87% in 1946. It is below 40% right now. Further diesel rail single unit passenger cars are now being used with excellent results on local runs. 20 such are now in service, I believe, and these compact vehicles, together with 80 Motor Cars, may be the efficient answer to local service runs. And there's always outright abandonment of absolutely hopeless lines, to be patiently sought after, but not always secured, from the ICC. And if you could only do away with the Weehawken ferry boats in New York harbor, I'll bet that alone would save Central stockholders 15c a share per year. Suffice it to say that passenger revenues, as a percentage of gross, should be less in 1952 and important steps such as the ones above, are being taken to reduce loss in this section.

About yards, diesel switchers are doing a far better job costwise than the choo-choos they've replaced. For years, the customary freight train on the Central was 60 to 65 cars long, principally because major yards were not designed to handle any longer trains. Now thoroughly stretched, modernized and electronically equipped yards at Selkirk, outside of Albany, DeWitt, near Syracuse; and a huge new yard facility at Elkhart, being completed this year, are all designed for 130 car trains. Just doubling the length of freight trains gives, obviously, a terrific boost to earnings.

Something should surely be said about the financial condition of the road. It's good and it's improving. During the war years, over $100 million of debt was retired, and cash built up so that at the 1951 year-end, net working capital was $117½ million. Ponderous maturities have sent many a railway to the cleaners. These are no problem for Central as its nearest important date with redemption is 1997; and its mortgage bond on the West Shore will not come rattling around to the pay-off window till 2361! Happy birthday, Bernarr McFadden!

Not half enough consideration in usual appraisals of CN is given to the size and value of its investments in other companies, and in valuable urban real estate in New York, Chicago, Cleveland and other big cities on the line. The 1951 report revealed income from these sources at $23 million, contrasted with railway net operating income of around $40 million. Just walk north on Park Avenue a few blocks from Grand Central, and you'll be looking, on each side of the street, at several 10s of millions of New York Central real estate. It's pretty classy brick and mortar—and profitable.

What about the management? Well, on Aug. 1, William White who did such a swell job on the Lackawanna, because President of New York Central. No swivel chair general, he. On the contrary, he's always been a railway man to see things for himself. For example, in the first few weeks, he strolled through the Marine Shops in New York and his quick eye spotted a store room laden with unused items, including a lot of valuable metal scrap. That is being converted to cash. Ditto a pile of old 80-pound rails that had been hanging around at another point. Yes, William White gets around, and he knows railroads from the ties up. With him at the helm, expect a "taut ship." He will generate efficiency because he's always looking for it.

About earnings, Central has in the last couple of years had sort of a Punch and Judy record. Just as everything looks on the upgrade, something emerges to bat them down. Like strikes. Last year, there was a malingerers strike that cost $10 million; and then longshoremen's port strikes in the autumn causing costly delays and diversions of vital tonnages. This year it was the 53-day steel strike, and in the past weeks we have seen off and on strike threats to traffic continuity. Fortunately, it looks like no coal strike in 1952. But there it is; through no fault of its own, earnings on CN have been beaten down so that for the first seven months of 1952, net was a measly 4c a share, and all the advantages of the 15% freight boost effective in April, and better commutation income, have not been able to emerge on the earnings statement.

If only they would leave Central alone for a 12-month, and let all this new dieselization (now above 50% of total power), new rates, new cars, new yards and new management really cook; then you might well see a dramatic upsurge in CN per share profits, and have vouchsafed to a patient stockholding group something more than tentative and token dividends. There is, in truth, some basis for expecting a little more from CN—some profit upgrading on the "water-level" route.

With R. E. Evans Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — John C. Smith is now with R. E. Evans & Co., 202 Broadway.

The Over-the-Counter Market

By H. NEILL BRADY*

Trading Department, Blyth & Co., Inc., New York City

Pointing out the vast extent of the over-the-counter market, which in daily dollar aggregate exceeds volume of business on all U. S. Securities Exchanges, Mr. Brady discusses trading methods and operations of dealers and brokers in this field. Stresses importance of publicity and communication facilities as factors in over-the-counter market. Explains work of the National Quotation Bureau and other similar services, and the great value of investment trusts to the over-the-counter market. Reveals complex work of the over-the-counter trader and gives pointers for successful over-the-counter trading.

Trading of securities is the bargaining for, and the purchase and sale of, that commodity at the best available price.

In our country, there are two markets in which one may purchase and sell securities. One is the listed market; that is, the market that is available on the national securities exchanges; and the other is the over-the-counter market.

On our national exchanges, the auction system prevails. Orders from all over the country are directed through various brokers to the floor of the exchange for execution. The broker handling the order charges a commission, based on the number of shares or bonds involved and, in the case of shares, on the price at which those shares are selling.

The over-the-counter market is a vastly different affair. The name "over-the-counter" is believed to have had its conception many years ago when securities were purchased and sold over the counters of banks—in much the same way as commodities and monies were traded, in those days.

This market is also known as the unlisted market and, occasionally, as the off-board market.

In contrast to the listed market, dealings are conducted on a negotiated basis. Fair prices and close markets for individual securities are obtained by taking the bid and offering which are, respectively, highest and lowest from among the various bids and offerings shown for that particular security. This is termed the "inside market." While a broker may be used for the execution of an order, one does have the privilege of going into the market and conducting his own negotiation. Therefore, without limitation or discrimination, any person may enter the market, haggle over prices, make bids, offerings, counter-bids, counter-offerings and consummate a transaction.

Most of our securities are dealt, either exclusively or almost so, in the over-the-counter market. They include:

(1) More than 99% of our bank and insurance stocks.

(2) All equipment trust issues.

(3) A great majority of investment trust and mutual fund issues.

(4) Nearly all real estate issues.

(5) All religious order securities.

(6) A great many foreign government and corporate securities.

(7) Practically all the issues of the United States Government, its territories and instrumentalities. Many of these issues are listed on national exchanges, but only on rare occasions does a transaction take place. The reason for this is that this type of security trades mostly in large blocks. They are bought and sold in the main by banks, insurance companies and other large institutions. None of these accounts are willing to pay the commission that would be charged if the order were executed on an exchange and, as a result, almost all trading is done in the over-the counter market.

(8) Nearly all state and municipal issues.

(9) Almost, without exception, all new issues of origination find their initial market in the over-the-counter market.

(10) A large volume of securities which are listed on national exchanges are also traded extensively in the over-the-counter market. The trading of these securities, both stocks and bonds, is a specialized business, conducted by various non-member firms. These firms maintain a close, constant and sizable net market in many issues—for the most part, those of leading utility companies. Here, again, a goodly volume of business is done with institutions anxious to avoid paying an exchange commission.

While exact figures are not available, it is an acknowledged fact that the daily aggregate dollar volume of securities traded over-the-counter far exceeds that of all the national exchanges put together. It has been estimated that about 25,000 transactions take place daily in the over-the-counter market. This is a very interesting fact and one that is not generally known.

Therefore, we are discussing a tremendously important market which performs a vital and necessary function in the financial world.

General Structure

The over-the-counter market is nationwide in scope. It consists of all the brokers and dealers throughout the country—not only those located in the large financial centers, but those located in smaller towns and cities as well. These firms deal in and specialize in the purchase and sale of securities of all types. The various departments of these firms, that is, the trading, sales, research and buying departments, along with the officers, partners and salesmen, all contribute directly to the functioning of the over-the-counter market.

Such firms provide the stimulus and facilities for the over-the-counter market. But more than that is necessary. A constant flow of bids and offerings, purchases and sales must be maintained or a market will deteriorate and, eventually, disappear. Providing this fundamental need, are the buying and selling orders originating from, and placed in the market by, individuals, banks, insurance companies, investment trusts, etc.

The size of these firms varies greatly. It ranges from the small one-man firm to some of the largest investment banking firms in the country. These firms are staffed throughout by trained, competent personnel. Employees run into the hundreds.

Communications

Increased and cheaper communication facilities have had a great bearing in the development

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*An address by Mr. Brady before the Second Annual Forum on the "Economics of the American Securities Business," sponsored by the Association of Stock Exchange Firms, Investment Bankers Association of America, National Association of Securities Dealers, the N. Y. Stock Exchange and the Curb Exchange, at New York University, New York.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The forward movement of total industrial production was arrested the past week, but it held moderately higher than the like period a year ago. While fractionally lower than the post-war high record reached in recent weeks, it was still about 10% short of the all-time high attained during World War II.

Unemployment in the latest week was close to the lowest level since the end of World War II with claims for unemployment insurance benefits at the lowest level in about seven years.

The steel industry is making giant strides toward relieving intense pressure of demand which built up during the recent 2-month strike, states "The Iron Age," national metalworking magazine this week. For the third week in a row operations are scheduled at 104% of rated capacity or better. This represents an annual production rate of about 113 million net tons of raw steel. (The all-time record was hung up last year when the industry turned out 105.1 million net tons of ingots and steel for castings.)

Evidence of the terrific production pace is showing up in several places according to this trade authority: (1) The market is more orderly; poststrike frenzy of consumers has abated. (2) Shipping facilities are being strained; spot shortages of freight cars are reported. (3) A number of consumers show signs of bumping into 30-day inventory restrictions; others eagerly take up the tonnage. (4) Specialty items—wire, straight-chrome grades of stainless sheets and strip, and silicon sheets are fairly easy; these items historically are among the first to reflect an easing market.

The above signs are not interpreted to mean that steel supply is close to equalling demand. But they are the forerunners of a balanced market, which "The Iron Age" predicts will come during the second quarter of 1953.

Steelmakers, it adds, will not long acquiesce to controls when they are producing the metal faster than consuming industries can chew it up; when they are pledged to a policy of not permitting any defense project to suffer from lack of steel, and are best qualified to distribute the remainder fairly among their civilian customers.

But right now they are concentrating on production—particularly on bringing defense production up to date to offset strike losses. It looks as though military business will be caught up by the Nov. 30 deadline—earlier in a few items such as cold-rolled sheets. This will make more steel available for manufacturers of civilian goods, declares this trade weekly.

Steel consumers show every indication of expecting business to continue at a very high level until at least the middle of next year. Though they are no longer panicky in trying to get steel, they are chafing under 30-day inventory restrictions. And some, including auto and appliance makers, are scheduling even higher production, despite the handicap of controls, concludes "The Iron Age."

Auto output slipped about 3% last week but held the over 100,000 weekly pace started after the first week in September.

Car companies assembled 100,598 units the past week, compared with 103,925 in the preceding week and 84,006 a year ago, according to "Ward's Automotive Reports."

"Full steam ahead continues to characterize operations at every producer excepting Chrysler, where plant reconversion for model change over took a 11,000-unit bite out of production this week," said the statistical agency.

Both General Motors Corp. and the Ford Motor Co. continued the "strong use" of overtime and Saturday operations, while the addition of a second shift at Studebaker last week lifted its output 24%.

The agency further expects that United States plants will make 500,000 cars and 123,000 trucks this month, or 12% more than the 554,739 total of 441,424 cars and 113,315 trucks in September. It would be the highest total of cars and trucks made since 645,822 left assembly lines in May, 1951, "Ward's" declared.

Industrial expansion projects totaling $24,000,000,000, aided by fast tax write-off allowances, will be almost half completed by the end of this year, Defense Mobilizer Fowler stated in a quarterly report to the President. The rapid completion of new plants and facilities will result in a substantial increase in United States capacity to produce basic materials, and permit a speed-up in output of military equipment "if national security requires," Mr. Fowler observed. These increased supplies of basic materials can go to civilian users if the arms program is not accelerated, the Mobilizer added.

Savings by individuals in the 1952 second quarter were well below the previous period and the comparable three months of 1951, the Securities and Exchange Commission revealed. Liquid savings totaled $1.7 billion in the June quarter. This compares with $2.6 billion in the first quarter of 1952 and $3 billion in the 1951 second period. Savings of unincorporated businesses, trust and pension funds and non-profit institutions, in addition to personal holdings, are included in the SEC totals. Mortgage debt rose $1.4 billion and other consumer debt, mostly instalment credit, increased by $1.3 billion in the second period, the agency stated.

Although holding above the level of a year ago for the seventh straight month, the number of new businesses chartered during August dropped to the smallest number since last December, according to Dun & Bradstreet, Inc. The total for the month at 7,108, was 5.8% under the 7,549 recorded in July, although it represented a gain of 9.4% as compared with 6,496 in August a year ago.

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Government Ways Of Attacking Profits

By L. L. COLBERT*
President, Chrysler Corporation

Citing excessive taxes and unreasonable controls as principal ways used by government to attack profits, prominent auto executive maintains country's ability to do and to live better is being weakened. Says tax and control policies actually reduce government revenues and, in addition, hamper civilian and defense production. Defends profits as both incentive to produce and as adding to production, and reveals expansion program of Chrysler Corporation and other concerns. Calls for "moratorium on government's pouring out our substance."

Last summer a very interesting document was made public. It was issued by a commission appointed by the President of the United States to develop a national policy on materials. Whatever the merits of such policies, the report drew a picture of the kind of America we might expect to see in another 25 years. It was a picture of a big, dynamic, zestful America. Much of it made exciting reading. It supported belief in a better, stronger and richer America in the future, in spiritual as well as material values. The real basis for belief, however, is in our accomplishments to date. The proof is in the doing. Our kind of society has steadily grown and made a finer life for all of us.


L. L. Colbert

The President's commission looks to an America in 1975 of more than 190 million people. It sees an increase in production that would be impossible of attainment by any economy less free, less flexible, less rewarding than our own. The commission sees 22 million more passenger automobiles on the roads; and trucks two and a half times as numerous as they are now. This great fleet would operate on a network of roads only dreamed of today.

The commission looks for more than a two-fold increase in the use of electric power in the average household; a large increase in work opportunities and a low level of unemployment. It is a picture of an energetic, growing economy that returns the rewards of its growth to the people.

Is anything surprising about that prophecy?

Is it really much different in quality or quantity from a prediction that might have been made in the year 1925 about life in America in the year 1950? Or a prophecy in 1900 about how things would be in our country in 1925? Our people, working together in a free economy, have already shown that they can do bigger things in a 25-year period than the President's commission envisions for the next quarter century.

Accomplishments in 1940-1950

We don't have to pick a period as long as a quarter century to measure the strides that have been made. In the past 10 years alone the American people have continued to outstrip the rest of the world by the amount they have increased their capacity to make things. Between the years 1940 and 1950, they increased steel production 44%. They upped crude petroleum production 46%; electric power 132%; automobiles and trucks 79%, and agricultural production 17%.

Here in Texas some of the greatest growth in the nation has taken place over the past quarter of a century.

It was interesting to me to check back over a few figures on industry and agriculture in Texas in the days when I was in school here and compare them with similar figures today.

When I graduated from this university a short 27 years ago, there were about 110 million acres of farm land in the state; today there are more than 140 million acres. There are three million more head of cattle in the state today than in 1925.

Back in 1925 the state ranked third in petroleum production, producing about 145 million barrels of oil annually. Today Texas leads the nation. It produced around a billion barrels last year.

In 1925 there was only a hint of the huge chemical industry that has since developed in Texas. In 1925 the state had some 3,600 manufacturing plants of all kinds; today there are in the neighborhood of 8,000. The vast aircraft industry that has come to Texas did not exist 25 years ago.

And so the figures go, recording a wonderful unfolding of the power and energy of an industrious and creative people. And this is not only the story of Texas; it is the story of the United States. It is the story of what dynamic people have done, and what they will do in the years to come, provided they preserve the freedom of enterprise that makes such achievement possible.

Conservative Estimates

In light of these accomplishments, the predictions for 1975 could well prove conservative. But all this won't just happen; it will take a lot of doing. And its realization will depend upon whether or not the way of doing things, that has made all our past achievements possible, is allowed to flourish in the future.

A less productive, less vigorous economy long since would have failed us in the face of the staggering tasks we have asked it to fulfill in the past. We made terrific demands upon our economy in World War II, and yet it responded with the greatest achievement in history. Today we ask of it perhaps even more.

It is easy to become complacent about the continued, successful operation of our economy because it has already performed such miracles. But—in our lifetimes—each successive trial testing has seemed to be more demanding than the last. We might profitably look at what makes the work so well. By doing so we may see what to do to keep it strong.

One of the principal strengths of our economy is its flexibility. Because it has so much resilience, it can shoulder greater burdens than any other. Its huge productive facilities enable it to produce with unsurpassed quantity and quality, either for war or peace. Its great dispersion reduces its vulnerability. Its adaptability leaves it less disturbed by sharp changes in the requirements made upon it. It can switch from locomotives or trucks to tanks or landing craft; from production of appliances to ordinance; from synthetic textiles to chemicals for munitions. And it can still maintain a high civilian living standard.

Economy's Strong Points

This list of our economy's strong points stresses the interdependence of its component parts. Few important elements of our economy, if any, are self-sufficient. Our enormous automobile industry is dependent upon the petroleum industry, in which Texas plays such a vital role, and upon highways and roads, and upon the steel and the rubber industries. But each of these industries would be but a shadow of itself were it not for the automobile. You can make such a comparison among almost any elements of our industries nation, whether they be big industry or little industry, agriculture, transportation, finance or anything else. The point is that this whole, fabulous structure is an intricate meshing of interdependent elements. You cannot tamper

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*An address by Mr. Colbert before the Alumni Business Conference of the College of Business Administration, University of Texas, Austin, Texas, October 3, 1952.

People's Pocketbooks

By ROGER W. BABSON

Commenting on need for salesmen, Mr. Babson points out, regardless of advantages of intensive selling and more intensive advertising, labor must reduce costs so people will have the money to buy more. Says "you can price yourself out of the market."

Much has been written recently about the need for salesmen to sell! They say sales are down because salesmen have forgotten how to sell! Is this really so?

Roger W. Babson

Much has also been written about the savings people have accumulated since World War. II. We have been told that people have more money to spend than ever and that, if they would only spend it, business would be good. Sales managers have long sung the tune that the ability to buy has not fluctuated so much as the desire to buy; that people aren't buying because they are not being sold! The fact is, however, that most sales statisticians overlook the way in which savings are distributed among our people. Federal Reserve Board figures for 1950 estimated that the $20 billion in savings were distributed as follows: the top 10% of our population held 73% of the net savings; the top 20% owned 93% of the total net savings. *This leaves the bottom 80% of the population with but 7% of the savings, operating pretty much on a hand-to-mouth basis.*

If the average income of this 80% is $3,000 (and this is a high estimate), then how, I ask, can you expect salesmen to sell to people who just haven't the money? If you don't believe a $3,000-a-year worker doesn't have the money, then take your pencil and figure roughly—after deducting Federal, State and local taxes—what you yourself pay for rent, light, heat, water, gas, telephone and repairs. Add to this, food, clothing, charities, insurance and miscellaneous. Then do the same for the $3,000-a-year worker, married and with two children. I am sure you will then begin to wonder where the mass market is for $2,000 automobiles, $200 refrigerators, $75 vacuum cleaners, $10 shoes, or even 9c-per-pound potatoes! I believe in more intensive selling and more intensive advertising; but labor must reduce costs so people will have the money to buy more.

Why Do They Buy?

The one time since World War II when business conditions were relatively normal was in the early months of 1950. The great backlog of demand was beginning to be satisfied for those who had the money. Then, bang, came Korea! War scares and talk of shortages prompted a mad rush of scare buying. According to a recent sampling study of about 10,000 families by the Bureau of Labor Statistics, a good cross section of our population, from almost a hundred large cities to small towns, the 1950 buyers were upper middle-class families with a *net income*, after taxes, of about $4,300. But their spending spree put them in the red to the tune of $400 that year!

Keep in mind that these were people with net earnings of $4,300—an appreciable cut above the average worker with gross earnings of $3,000. Even so, they not only had to dip into savings but go into the hole for the purchases they made. Why did they spend? Their wants were spawned primarily by war hysteria and cries of shortages. There were those who were afraid that if they waited they wouldn't be able to buy that new car, or washer, or suit of clothes; or that, if they did wait, prices would skyrocket. In other words, many of these people had their hands forced by fear.

Pricing Yourself Out of the Market

Sales managers can talk all they want to about the need to sell and sell hard, but if the consumer can't afford the price tag, how is he going to buy? We've watched the recent potato fiasco change the dietary habits of a number of people. Potato sales still haven't fully recovered, while the sales of rice, macaroni, and spaghetti remain high. When bus companies raise fares too fast, they lose 10% of their riders.

Whatever happened to natural rubber—and butter—and the silk industries? The answer to this question explains why the automotive industry is in the peculiar economic paradox of having both a shortage of cars and a shortage of buyers. The history of American industry is filled with the ghosts of overpricing. Either industry doesn't know the history of overpricing, or else it is operating with its head in the sand. Unless the manufacturers and labor leaders who depend on mass markets reduce their costs to fit the mass pocketbook, their days are numbered.

Toronto Bond Traders Elect New Officers

TORONTO, Ont., Canada — The Toronto Bond Traders Association has elected the following new officers for 1952-1953. The annual meeting of the Association was held Sept. 26 at the King Edward Hotel.

Officers for 1952-53

President: D. E. Morrison, Royal Securities Corp. Ltd.

Vice-President: H. B. Tindale, Walwyn, Fisher & Co. Ltd.

Secretary: R. J. Trow, W. C. Pitfield & Co. Ltd.

Treasurer: B. C. Scott, Dominion Securities Corp. Ltd.

Committee: B. A. Mallon, McLeod, Young Weir & Co. Ltd.; A. J. Cartan, Harrison & Co. Ltd.; J. J. Granton, Matthews & Co. Ltd.; D. M. Sennett W. C. Harris & Co. Ltd.; C. F. Perkin, The Bank of Toronto.

Ex Officio: C. G. Lee, Bache & Co.; J. L. Hayman, Goulding, Rose & Co. Ltd.

Joins Fairman Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George E. Tamble has been added to the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

West German Economy Now at Turning Point

Dean G. Rowland Collins and Marcus Nadler, of the New York University Institute of International Finance, say rehabilitated Germany is faced with many serious problems, and current era of extraordinary growth is hampered by inadequacy of investment capital.

According to a bulletin entitled "The Economic Position of West Germany," issued by Dean G. Rowland Collins, Director, and

G. Rowland Collins

Marcus Nadler

Dr. Marcus Nadler, Research Director, of the Institute of International Finance of New York University, the rehabilitated economy of Germany is now confronted with a number of serious problems.

During the past few years, the bulletin states, West Germany has made notable progress in reconstructing her economy and approaching her prewar position in world trade and industry, but the rapid industrial recovery was made possible largely with U. S. aid.

There are now many indications, however, the Institute's study points out, that the rapid pace in the development of industry and trade of the past few years will not be continued in the period ahead. In the main, the recent German economic expansion has been a process of catching up with the prewar level, a stage through which most of Europe passed a few years earlier.

A serious problem that remains to be solved as a prerequisite for the further expansion of the German economy is the shortage of investment capital. The capital requirements of the basic industries, part of whose equipment is obsolescent, are very large. Although internal resources of the industries, supplemented by government outlays, bank loans, and ECA counterpart funds, have kept investments at a fairly high level during the past few years, the lack of an active capital market is an obstacle to future economic development. Furthermore, not much can be expected in the way of a large-scale influx of private foreign capital into West Germany until greater political and economic stability is restored to Europe and the relaxation of the rigid foreign exchange control makes possible free transfer of earnings on foreign investments. The settlement of Germany's prewar debts is a step in this direction.

Another disturbing problem is West Germany's separation from the Eastern sector of the prewar Reich and the rift between the western Allies and Russia and her satellites. Ratification of the Schuman Plan and incorporation of Germany into the west European defense community have been important steps toward integrating the German economy into that of the rest of west Europe. This process will help offset the adverse effect on the German economy of the curtailment of the economic relations between West Germany and areas in east Europe which before the war provided a substantial part of Germany's food and raw materials and were major markets for German manufacturers. Nevertheless, there are strong economic and political forces working toward a unification of Germany which are not likely to disappear for a long time to come. This problem may therefore continue to remain a source of uncertainty and unrest.

It would thus appear, the New York University study states, that German economy is at a turning point. An era of extraordinary growth is giving way to one fraught with promise, but also with problems the solution of which as yet cannot be discerned.

Kidder, Peabody Co. Resumes Radio Series

Kidder, Peabody & Co., 17 Wall Street, New York City, announced the resumption of its radio series, "Your Money at Work," over WOR commencing Sunday, Oct. 12 at 3:30 p.m.

Milton Fox-Martin

According to Milton Fox-Martin, Manager of the firm's Central Mutual Fund Department, on this year's programs portfolio managers and research heads of leading mutual funds will be interviewed. "East guest speaker undertakes to discuss one industry of his own selection," Mr. Fox-Martin stated. "The primary purpose of our programs is to render a service to the mutual fund industry, and to the investing public, by enlarging the public's opinion of and respect for this fast growing medium for collective investment."

The first two guest speakers are Thomas J. Herbert, Vice-President, Hugh W. Long & Co., and Harold X. Schreder, Executive Vice-President, Distributors Group, Inc. Mr. Fox-Martin is moderator of the programs.

Schirmer, Atherton Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — E. Gordon Harvey has became associated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. Mr. Harvey was formerly with Kenneth M. Jones and J. H. Goddard & Co.

Fewel Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John T. Troll has joined the staff of Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

One definitely uncontroversial point of the current Presidential campaign is that it is costing the newspapers money and the bigger ones are just about running out of reporters to assign to it. Eisenhower has an 18-car train with more than 100 reporters, including those of the radio, aboard. Then Stevenson has similar coverage and then comes Truman. But for the first time in history, to the best of my knowledge, a Vice-Presidential candidate, Nixon, has a train with accompanying reporters. John Sparkman is being the typical Vice-Presidential candidate. He is barnstorming, addressing a crowd wherever he can find one and is probably accompanied by only the press association reporters. Reporters are similarly accompanying Bob Taft.

Carlisle Bargeron

You would be surprised at the amount of industry involved in all this. With Eisenhower, Stevenson, Truman and Nixon, the Western Union and the telephone company are obliged to have representatives arranging for facilities ahead to handle the copy of the reporters. They move their operators from important communication centers such as Chicago to small railway stations which have the telegraphic and telephone facilities but not the personnel. They can't possibly make any money out of this but it is service and good will.

Out of this vast enterprise has come a welter of words. The most intriguing import to me, out of this vast fund of knowledge, of profundity on the part of journalistic experts, is that Stevenson has added something new to political campaigning in this country.

First, there have been the millions of words to the effect that he is campaigning on an "intellectual" level, appealing to the voters' minds rather than their emotions, and then more millions of words as to whether this sort of approach can win a Presidential campaign. There are oodles of additional words on the subject of the conflicting viewpoints in the Stevenson camp: those who want him to go along, win or lose, in his appeal to people's minds, for he will really have contributed to American thinking and the improvement of men's minds—and those who feel he is talking over people's heads, that is, the average American head, and this is no way to do. There are still other words about how Stevenson is wrestling with his conscience on whether to pursue his appeal to the voters' minds or to adopt the course of demagoguery which, according to the Stevenson camp, Eisenhower is doing.

I have no doubt that should Stevenson lose, the verdict among the "intellectuals" who have become so fascinated by his diction will be that education and intellect cannot win. They will be completely disheartened and more convinced than ever that the people need bureaucratic paternalism to survive. Their verdict will be that there is no such thing as popular understanding of the problems of today; you must simply take care of the people with more medical and housing and educational grants, more farm grants, and make more tight the collaboration between the government and Phil Murray and Walter Reuther et al.

Soooh—with my usual thirst for knowledge, I asked my Secretary, whom I frequently think is below the average and whom at no time have I ever thought was above it—I asked her if Stevenson was talking over her head.

"Hell no," she said, "I understand everything he says, but he doesn't say anything."

I, myself, should like to ask the pundits who are writing about Stevenson's great "intellectual" approach and the worry as to whether this is effective, just what it is he is saying that is so statesmanlike but over the average voter's head. I should like to ask just what it is he is saying period.

In an attempted emulation of Winston Churchill, he has said there is no answer to Korea, nothing can be done about it. We, the American people, must expect blood, sweat and tears—but, of course, we have the courage to do it. A typical statement from this "intellectual" mind was that the Republicans are more interested in hunting for Communists in the Bureau of Wild Life and Fisheries than in India.

Well, I doubt seriously that this is over the heads of the American people. They, according to my best information, are understanding it quite easily. The felicitous phrases which so appeal to the Nieman scholars of journalism and those who are trying to get the awards, are not over anybody's head. They are quite understood.

Within my immediate golf playing ken are five doctors and dentists, around 50 and at the height of their careers, three of them with boys in the service, who are threatened with being "called up to the colors." It is a fact that Eisenhower is not the best alternative to this state of affairs. I have to laugh when I hear his talking about how the armed forces waste money.

But he and the Republicans together, his being a "captive" of the "isolationist Republicans" as Truman and Stevenson are saying, thus showing they know little about the temper of the country, do offer an alternative and I think that alternative is going to win.

R. Mason Page With Newburger & Co.

PHILADELPHIA, Pa. — R. Mason Page has become associated with Newburger & Co., 1342 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges. Mr. Mason was formerly Philadelphia representative for Eaton & Company, Inc. Prior thereto he was with Thayer, Baker & Co. and was associated with Allen & Company in New York City.

Jack D. Howe With F. W. Craigie Co.

RICHMOND, Va. — Jack D. Howe has been added to the Municipal Sales Staff of F. W. Craigie & Co., 616 East Main Street, covering the States of North and South Caroline. Mr. Howe has been with F. W. Craigie & Co. since leaving the U. S. Air Force. In the past he was with the Bank of America.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Air Cargo Industry—Review with special reference to **Seaboard & Western Airlines, Inc.**—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Bank Stocks—Comparison and analysis as of Sept. 30 of seventeen New York City bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Chemical Investments: An Analysis of Research, Growth and Finances in the Chemical Industry by John F. Bohmfalk, Jr.—Chemonomics, Inc., 400 Madison Avenue, New York 17, N. Y.—$5.00.

Natural Gas Transmision Companies—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

New York Bank Earnings—Preliminary figures for first nine months of 1952 — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Over-The-Counter Securities Review — Monthly pocket-size magazine including earnings, dividends, and prices of unlisted companies, industry analyses, etc.—One year's subscription, plus free copy of "Dividend Champions"—$3.50—Over-the-Counter Securities Review, Dept. 15A, Jenkintown, Pa.

Railroad Income Bonds—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Television—Bulletin on six leading stocks—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Tokyo Stock Quotations — Bulletin — Nomura Securities Co., Ltd., 1-1 Kabuto-cho, Nihonbashi, Chuo-ku, **Tokyo, Japan.**

* * *

Alleghany Corp.—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a brief discussion of Japanese Bonds, and a report on **Natural Gas Producers.**

Alma Trailer Company—Bulletin—Baker, Simonds & Co., Buhl Building, Detroit 26, Mich.

American States Oil Company—Data—Greenfield & Co., Inc., 40 Exchange Place New York 5, N. Y.

American Telephone and Telegraph Company — Circular — Hardy & Co., 30 Broad Street, New York 4, N. Y.

Bank of Manhattan — Memorandum — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Bendix Aviation Corporation—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also in the same bullentin is a review of the **Sperry Corporation.**

California Eastern Airways — Memorandum — Dallas Rupe & Son, Kirby Building, Dallas 1, Tex.

Central Public Utility—Bulletin—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available are bulletins on **Central Indiana Gas Company** and **Southwestern Public Service.**

Cinerama, Inc.—Bulletin—Lamont & Company, 89 State Street, Boston 9, Mass.

Citizens Utilities Co. — Memorandum — Birnbaum & Co., 60 Broad Street, New York 4, N. Y.

Erie Forge & Steel Corporation—Analysis—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Fedders-Quigan Corporation—Analysis—D. M. S. Hegarty & Associates, Inc., 52 Broadway, New York 4, N. Y.

Hupp Corporation — Bulletin — Shader-Winckler Company, Penobscot Building, Detroit 26, Mich.

Maryland Casualty Company—Analysis—Geyer & Co. Incorporated, 63 Wall Street, New York 5, N. Y.

Melville Shoe Corporation—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Mexican Gulf Sulphur Co. — Analysis — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Nuclear Instrument & Chemical Corp. — Circular — Republic Investment Company, Inc., 231 South La Salle Street, Chicago 4, Ill.

Packard Bell Company—Data—Conrad, Bruce & Co. of Los Angeles, 530 West Sixth Street, Los Angeles 14, Calif. Also in the same bulletin are data on **Hoffman Radio Corporation, Corroon & Reynolds Issues,** and **Massachusetts Bonding.**

Parker Pen Co.—Memorandum—Eckhardt-Petersen & Co., 1811 South Broadway, St. Louis 4, Mo.

Public Utilities — Design Construction for Public Utilities — Brochure—Ebasco Services, Incorporated, 2 Rector Street, New York 6, N. Y.

Republic Natural Gas Company—Brochure—Eppler, Guerin & Turner, Reserve Loan Life Building, Dallas 1, Tex.

Riverside Cement Co. — Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

A. O. Smith—Memorandum—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

Standard-Toch Chemicals, Inc. — Analysis — George Birkins Company, 40 Exchange Place, New York 5, N. Y.

Taylor Oil & Gas Co.—Analysis—Raymond & Co., 148 State Street, Boston 9, Mass.

Textiles, Inc.—Report—Raymond & Co., 148 State Street, Boston 9, Mass.

NSTA Notes

AD LIBBING

There is still time to get advertising contracts in for our post-Convention issue of the "Commercial and Financial Chronicle." In fact forms will not close until the end of October.

Harold B. Smith

With the convention only a week or so away, your Committee is desirous of making a really profitable financial report at Miami Beach, so it is up to you members to help in our final drive to top last year's figures. Word of mouth advertising, we know, is the best method of getting the business, so will you pick up the phone now and call a friend or two for advertising for the NSTA Convention Year-Book. The "Chronicle" men are doing a bang-up job but can always use a little assistance along the way.

Will all Advertising Chairmen of local affiliates make further efforts to improve the amounts as shown below:

Alabama Security Dealers Association	$63.00
Arizona Security Dealers Association	------
Baltimore, Security Traders Association of	302.40
Boston Securities Traders Association	940.50
Carolinas, The Security Dealers of the	------
Chicago, Bond Traders Club of	990.00
Cincinnati Stock and Bond Club	302.40
Cleveland Security Traders Association	1,296.00
Connecticut, Security Traders Association of	176.40
Dallas Bond Club	446.40
Denver, Bond Club of	214.20
Detroit & Michigan, Securities Traders Association of	637.80
Florida Security Dealers Association	563.40
Georgia Security Dealers Association	383.40
Houston, Investment Dealers Association of	------
Kansas City (Mo.) Bond Traders Club of	151.20
Los Angeles, Security Traders Association of	579.60
Louisville, Bond Club of	151.20
Memphis Security Dealers Club	88.20
Nashville Security Traders Association	313.20
New Orleans Security Traders Association	340.20
New York, Security Traders Association of	8,893.80
Philadelphia, Investment Traders Association of	1,380.60
Pittsburgh Security Traders Association	390.60
Portland (Oregon), Security Traders Association of	------
St. Louis, Security Traders Club of	572.40
San Francisco Security Traders Association	766.80
Seattle Security Traders Association	417.60
Syracuse, N. Y., Bond Club of	------
Twin City Bond Traders Club (Minneapolis-St. Paul)	214.20
Wichita Bond Traders Club	------
Unaffiliated	741.60
	$21,347.10

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Company
120 Broadway, New York 5, N. Y.

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COMING EVENTS

In Investment Field

Oct. 8-10, 1952 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors Fall meeting at the Ambassador Hotel.

Oct. 16, 1952 (Chicago, Ill.)
La Salle Street Women dinner meeting at the College Club.

Oct. 20-23, 1952 (Miami, Fla.)
National Security Traders Association Convention at the Roney Plaza Hotel.

Oct. 23-24, 1952 (Pinehurst, N. C.)
Securities Dealers of the Carolinas — North Carolina Municipal Council — South Carolina Municipal Committee joint meeting at Mid-Pines Inn.

Oct. 24-27, 1952 (Havana, Cuba)
National Security Traders Association Convention tour.

Oct. 31, 1952-Nov. 2, 1952 (Hot Springs, Va.)
Fall Meeting of Southeastern Group of the Investment Bankers Association of America at The Homestead.

Nov. 19, 1952 (New York City)
Association of Stock Exchange Firms annual meeting and election.

Nov. 30-Dec. 5, 1952 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

La Salle Women to Hold Dinner Meeting

CHICAGO, Ill.—LaSalle Street Women will hold a dinner meeting on Thursday, Oct. 16, 6 p.m., at the College Club, 30 North Michigan Avenue.

Guy E. Reed, Executive Vice-President of the Harris Trust & Savings Bank, will speak on "Making Democracy Work in Chicago." He has served as a member of the Chicago Crime Commission since 1941 as its President, Chairman and then as Chairman Emeritus. He is also Program Chairman of the Big 19 Committee which is conducting an investigation for the Chicago City Council on ways and means of preventing crime. His talk will deal with these methods and will probably point out that it is the responsibility of every citizen to help in the drive to rid our city of crime.

Mr. Reed is a graduate of the University of Nebraska. His first banking connection was with the First National Bank of Lincoln, Nebraska. His present one with the Harris Trust and Savings Bank was made in 1923.

His alma mater in 1941 bestowed on him the Distinguished Service Award. In 1949 he received the Chicago Merit for Distinguished Service from the Chicago Rotary Club. More recently he was one of a group which received the Northwestern University Centennial award "in recognition of the impression which he has made upon his generation during a lifetime of distinguished service as a resident of one of the states which comprised the Northwest Territory."

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—James G. Hodges has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 454 North Camden Drive. He was formerly with Wagenseller & Durst, Inc.

Appraising the Complex Outlook For Stocks

By BRADBURY K. THURLOW
Partner, Talmage & Co.
Members, New York Stock Exch.

Commenting on sharp differences during several years past in price fluctuations of individual stocks, Mr. Thurlow holds this is because stock price performances have adhered to two separate patterns, viz.: (1) uniformity; and (2) selectivity. Says, if business recession should come, it may coincide with a rising stock market.

It is perhaps inaccurate to continue thinking and speaking in terms of "the general market" at a time when price trends in individual issues have borne little relation to each other for almost two years and any identification of an overall trend in stock prices has been subject to sharp differences of opinion. It is of interest, however, looking backwards from our present vantage point, to consider the recent history of stock fluctuations in two of its aspects: one technical, one psychological, with an eye to appraising the present complex outlook for common stocks.

B. K. Thurlow

A survey of the past 10 years will reveal that stock prices have adhered to two principal patterns of performance, which for lack of better names we shall call *uniformity* and *selectivity*. From 1942 until mid-1947 stocks moved higher, lower, and sideways more or less together. Some groups and issues fared far better than others, but almost every issue showed conformity with a recognizable general trend in prices. Between 1947 and 1949, however, some stocks began to rise while others disintegrated pricewise. The market performance of oils, tobaccos and defensive stocks was sharply differentiated from that of railroads, nonferrous metals, steels, and low priced stocks in general—while the Dow-Jones Averages moved back and forth within a 20% range. From mid-1949 to early 1951 the market again moved as a whole, with defensive stocks leading the first general advance and war stocks taking over after Korea. Then selectivity again put in an appearance, with chemicals, antibiotics, oils, and rails successively scoring large advances, while steels and various war beneficiaries suffered sharp reactions and certain defensive stocks sold at the lowest prices in almost a decade, along with such marginal groups as carpet makers and meat packers.

Anyone who has lived through the two periods of selectivity described above and studied their characteristics will be aware that they have been marked by an extreme divergence of professional as well as amateur opinions regarding the business outlook; further, that these periods have been composed of recurrent waves of liquidation based on some specific fear (e.g., February-July, 1951: fear of a peace settlement in Korea; October-November, 1951: fear of business recession in 1952; January-May, 1952: fear of a steel strike and resulting unsettlement; August-September 1952: fear of business recession in 1953 plus worries over a coal strike).

Fears of business recession — reflected in the market at some time in the course of almost every year since 1943—have generally brought liquidation into the then unpopular cyclical stocks, which sophisticated investors presumably absorb on a current yield basis of 7%-10% and hold until pessimism abates.

The writer has frequently drawn analogies between the last two years of market action and the 1926-early 1928 period of selectivity. At this point it does not seem too far fetched to extend this comparison to the 1947-49 period, during which many issues, it will be recalled, were far from cheap historically, while the hot breath of impending recession tainted many a good stock which was already manifestly undervalued.

It is not the part of wisdom to predict what the emotions of the speculative crowd and their more conservative camp followers will be a year or two years from now, but it seems fairly clear that a number of people are following the same patterns of behavior witnessed in two earlier periods, which were followed by important general rises in the price of common stocks. If the business recession should come in 1953 as widely anticipated, who is to say that the stock market reaction to it will not follow the pattern observed in 1946 and immediately thereafter when the postwar boom was correctly foreseen but the market collapsed notwithstanding because no one thought the boom would last very long? It is interesting to conjecture, and not to be dismissed lightly, that the advent of a universally heralded business relapse may coincide with the next rising stock market—on the theory that prosperity is just around the corner. Stranger things have happened.

Joins Granbery, Marache

Granbery, Marache & Co., 67 Wall Street, New York City, members of the New York Stock Exchange, announce that Donald Wingate Lamb has become associated with them as registered representative.

Adverse Factors in Sterling Exchange Situation

By PAUL EINZIG

Dr. Einzig enumerates a number of causes of adverse pressure on sterling exchange, but finds chief cause to be the unfavorable balance of payments that has persisted in British Empire during last few years. Says speculation in sterling is minor factor.

LONDON, Eng.—The causes of the adverse pressure that has developed against sterling from time to time during recent years may be grouped under the following headings. (1) Adverse balance of visible and invisible trade. (2) Net unrequited exports. (3) Maldistribution of foreign trade. (4) Abuse of sterling facilities by foreign holders. (5) Liquidation of sterling balances held abroad. (6) Deferring of payments for British goods.

Dr. Paul Einzig

Although the trade balance is by no means the only factor affecting the position of sterling, it is beyond doubt the most important single factor. Other factors may have contributed to the adverse pressures in 1947, 1949 and 1951 but a large import surplus was at the bottom of the adverse movement on every occasion. Its effect was apt to be exaggerated by speculative influences but the main cause was not speculation. In the absence of an adverse trade balance the extent of speculation would probably have been incomparably smaller, so that a large part of the loss of gold during those adverse spells, even if due directly to speculation, can be attributed indirectly to the psychological effect of the adverse trade balance.

From time to time unrequited exports figured prominently among the causes of the weakness of sterling. They were partly the result of the unduly speedy liquidation of wartime sterling balances owned by overseas countries and partly to the granting of sterling facilities to overseas countries which were in need of such facilities. The exports paid for by such means do not of course benefit the trade balance and their amount must be added to that of the visible trade deficit. On the other side of the balance sheet there are the unrequited imports represented by dollar aid from the United States and Canada and by the liquidation of British investments abroad such as the Argentine Railways. On balance the discrepancy between the unrequited exports and unrequited imports for the whole postwar period may not be very large but from time to time unrequited exports considerably exceeded unrequited imports. It seems reasonable to assume that during periods of distrust in sterling many overseas holders of sterling hasten to liquidate their holdings through purchasing British goods, thereby increasing the volume of unrequited exports.

One of the effects of such a demand for British goods was a reduction of surpluses available for export to countries which paid in hard currencies for the goods imported. This brings us to the third cause of adverse pressure on sterling, the maldistribution of trade. From time to time an unduly large proportion of British exports was directed to soft currency countries and there was not enough left for hard currency countries. As a general rule it was comparatively easy to export to the Sterling Area or to Western Europe and much more difficult to export to the Dollar Area. Many British firms were inclined to take the line of least resistance and neglected opportunities to export to the latter. This is apt to occur during a period of full employment and sellers' market. When there is large-scale unemployment and buyers in general have the upper hand, exporters tend to strain all their nerves to increase their sales to all markets. During a period when they are working to capacity they are inclined to concentrate on those markets which give them the least trouble. As a result an adverse balance in relation to the dollar area and other hard currency countries was apt to develop and lead to an adverse pressure on sterling and the loss of gold even if there was a surplus of exports in relation to soft currency areas.

Yet another source of pressure on sterling was the abuse of sterling facilities by overseas holders. The system under which certain types of foreign sterling accounts were only permitted to be used for certain purposes is far from watertight. The British authorities have never been able to prevent circumvention by wide variety of methods of the highly involved regulations. Redirection of goods bought within the Sterling Area to unauthorized countries is one of the favorite methods of circumvention, but there are many others. Such is the extent of evasion that on more than one occasion it constituted the main argument against restoring the convertibility of sterling during periods when the trade balance was reasonably favorable and the speculative factor was in favor of sterling. It was this factor which caused the breakdown of the premature convertibility attempt in 1947 and the British authorities are naturally anxious not to repeat that experience.

In pre-war days whenever the international markets became rightly or wrongly pessimistic concerning the prospects of sterling speculation developed largely through borrowing sterling in London and selling it. This method cannot be used at present because there is a ban on granting credit facilities for such purposes and in this respect at any rate exchange control is reasonably watertight. On the other hand overseas holders cannot be prevented from speculating against sterling by allowing their working balances in London to decline well below the normal level.

Speculation against sterling assumes also the form of delaying payments of sterling for British exports. Overseas importers endeavor to obtain credit facilities in Britain for the longest possible period in the hope that sterling might depreciate before maturity. British exporters are reluctant to refuse such facilities because the alternative in many instances would be a deferment of the purchases in anticipation of a depreciation of sterling. This attitude of foreign importers cannot be condemned as purely speculative. They have to safeguard themselves against the risk that their rivals might buy the same goods much cheaper after a devaluation of sterling in which case they might have to sell at a loss in order to compete with the other firms quoting much lower prices.

Although the speculative factor plays an important part, the basic position of sterling is determined by the balance of payments. If that is favorable any speculative pressure in the broader sense of the term is bound to come to an end. Apart from instances in which the anticipation of a depreciation leads to a definite loss of orders from overseas, speculation, though an immediate cause of weakness, is a potential source of strength. The deferred payments have to be made sooner or later and the unduly reduced working balances have to be replenished. When this is done sterling regains what it lost during the adverse period. What matters therefore is that the balance of payments position should be kept sound.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

If you try to second guess this market you'll go crazy keeping up with the daily gyrations. One hour the oils go up, then go down. Then a few of the rails start getting the hot foot and so it goes. Frequently the move is over before you can get even a reasonably close quote from the order clerk.

* * *

Such markets aren't new. As a matter of fact they're more common than the active markets we all like to see so much. But because they come at a time when we are anxious, they tend to scare the whey out of us.

* * *

The hot election campaign has a great deal to do with the present anxiety. As each side charges the other with all sorts of misdeeds, a little peek behind the curtain is given each of us; a peek that usually adds to our worries. If you're in the market such worries are frequently translated into a vital concern. If stocks show a tendency to dry up, or react, these events are sufficient for us to try to do something. This doing something takes the form of selling. As one sale is consummated, it creates a tape picture that starts others to follow suit, or at least think of following suit, and before the day is over this pervades the entire market.

* * *

Sitting through such tense moments isn't easy. Even if you don't watch the market daily, the chances are you get calls from your customer's man who informs you of the tape action plus the newsy tidbits that are every customers man's stock in trade.

* * *

About two or three weeks ago, when things looked pretty grim, I suggested reentry on the long side. Since then they've gone up and went down again. From where we sit it looks like they'll go down a bit more. But in the final analysis I don't believe any new reaction will start from these levels. This, naturally, is only a belief, not a certainty.

* * *

To safeguard against the unexpected, take the lows of two weeks ago and let them represent a line under which you won't carry stocks. Obviously this method isn't foolproof. I've yet to see any method of trading that is foolproof.

* * *

In the meantime hold on to your long stocks until further signs of the current winds are seen.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Ingalls Named for Pres. of Exch. Firms

SAN FRANCISCO, Calif.—Roscoe C. Ingalls of Ingalls & Snyder, New York, has been nominated 1953 President of the Association of Stock Exchange Firms. Horace W. Frost of Tucker, Anthony & Co., Boston, and Russell E. Gardner, Jr. of Reinholdt & Gardner, St. Louis, have been nominated as Vice-Presidents and Robert A. Magowan of Merrill Lynch, Pierce, Fenner & Beane, New York, as Treasurer, it was announced today from the Mark Hopkins Hotel where the Board of Governors of the Association completed the first series of sessions of its Fall Meeting. The second series will be held during the balance of the week in Los Angeles at the Ambassador Hotel.

Roscoe C. Ingalls

Election of officers will take place at the Annual Meeting of the Board to be held in New York Nov. 19, 1952.

Mr. Ingalls, a resident of the metropolitan area of New York since his birth in Englewood, New Jersey, currently resides in Pelham, N. Y. Subsequent to graduating from the High School of Commerce in New York City and from Columbia University in 1912 with a B.S. Degree, he entered the securities business as an employee of Spencer Trask & Co. After several years with that firm he moved to Struthers & Hiscoe, becoming a partner in 1916. In September 1924, he formed the firm of Ingalls & Snyder of which he continues to be the senior partner.

He has been a Governor of the Association of Stock Exchange Firms since 1949 and Chairman of its Public Relations Committee for the past two years. He is a Director of J. G. White Engineering Corp. and the First Westchester National Bank (New Rochelle). He is also a Trustee of the Bronx Savings Bank. He has been active in civic affairs, being a Past President and Member of the Board of Education of Pelham, as well as Past President and Director of the Pelham Community Chest. From 1940-47 he served on a local Selective Service Board. He was a member of "K" Company, Seventh Regiment (N. Y.) 1911-16 and served as a Chief Petty Officer, U. S. Naval Reserve in 1918-19.

The Securities Business—An Over Regulated Industry

By G. KEITH FUNSTON*
President, New York Stock Exchange

Asserting Stock Exchange problems are not local or narrow, but are of interest to the various groups that make up the nation, New York Stock Exchange President condemns excessive Federal regulation as throttling nation's securities markets and damming up the flow of capital into business. Recommends reduction of margin rate to 50% or less; elimination of Excess Profits Tax; and a lower Capital Gains Tax. Says securities industry is the most heavily regulated in nation, and this is threatening extinction of equity financing.

There's a great deal of truth in the observation that a man who talks about his troubles can't always find a sympathetic audience —I suppose on the simple theory that his listeners have troubles of their own to think about. Nevertheless, I am going to risk telling you about several problems we have at the New York Stock Exchange; I think some of them affect all of you more directly than may appear at first glance.

G. Keith Funston

The Stock Exchange can be viewed as a national market place, liquid, efficient, the servant of millions of people. But there is a larger view—the Stock Exchange in terms of the healthy industrial growth of our country, the Stock Exchange in terms of the consumer, the worker, the saver—and in its relations with government. It is this larger view with which I am presently concerned, and about which I want to talk with you. For the Exchange stands to benefit a great deal from the help you and other articulate groups are in a position to offer.

Detroit is one of the wonder cities of the world. A new civilization has been built here upon two related concepts: Mass production and interchangeability of parts. The automotive industry, in developing those two techniques to an extraordinary degree, laid down a pattern that industry generally is still following.

General Motors Corp., for instance, has developed into a company which literally serves the world. I am quite sure that one reason for the company's success, for its ability to meet and solve problems, has been the acute awareness by management of the importance of the share owner to the company—and the importance of the company to the share owner. I suspect that another reason was the company's early recognition of the strong, underlying community of interest between management, labor, consumer and owner. Even today—and I think it unfortunate—the importance of that interdependence is often too little recognized.

The New York Stock Exchange—An Expression of Community of Interest

I like to think that this community of interest finds expression in the New York Stock Exchange. For it is on the trading floor of the Exchange that one of the fundamental rights of free men is exercised, the right to buy and sell property. It is there that the efforts of management are evaluated by the public and by the owners of the business, the stockholders. And the owners of the business may be people who work for the company and the people who buy the company's products.

It is just because of this community of interest among the various groups who make up our nation that I believe the Stock Exchange occupies a key position in our business life. It is why the problems of the Stock Exchange are not local or narrow problems. It is why the Stock Exchange owes allegiance to no one particular group but to all the people, and why the health of the Exchange is a matter of concern to everyone.

You gentlemen may recall that, about a year ago, we asked The Brookings Institution to make, on our behalf, a national survey of share owners. We wanted to know how many people own shares in American industry, who they are, where they live, what they do for a living, the extent of their share ownership. We looked on the survey, which was published a few months ago, as a guide to the future, a road-map to tell us how far we had come, how far we had to go in our efforts to put the ownership of the tools of production in the hands of the people.

Such broad ownership was our ideal then. It still is today. That is the kind of public ownership of industry we need, the kind of evolutionary capitalism which will keep this country strong and free, the kind of democracy envisioned by Alfred Sloan when he urges every American to become a share owner.

The Brookings Survey disclosed that some 6,500,000 people are share owners in publicly owned corporations. It also showed us that these share owners are members of almost 5 million family spending units—and that the 13,000,000 people making up those families have a direct personal ownership interest in industry.

More significant than these statistical totals, however, were the findings on the trend of ownership. We now have pretty good evidence that the efforts of industry generally and the securities industry to spread ownership are taking effect. I can make that clear by telling you that about one-fifth of the share-owning population joined the ranks of capitalism during the past three years. The findings were startling, too, in proving that there is no typical share owner. Three-quarters of the owners had annual incomes of less than $10,000; 280,000 owners earned less than $2,000 per year.

Only a start, of course, has been made in the effort to broaden the base of share ownership. "Fortune" magazine put it well when they commented, "What the report actually portrays is not so much a capitalist achievement as a capitalist opportunity."

Studying the Brookings Survey —and, believe me, there is plenty of study being devoted to the survey at the Exchange—we became a little more introspective than usual. Our concern with the data presented by Brookings was heightened because trading volume, when related to the large and growing number of companies and shares listed on the Exchange, is running counter to the main trend of American business. It seems to us that some form of creeping paralysis is overtaking the nation's principal market place for securities.

One of the chief assets of that market, any securities market, is its liquidity—which is simply the presence in the market of the greatest possible number of bids to buy and offers to sell. Like the automotive industry, ours is a mass production operation. Our ability to provide the public with a fair and efficient market increases in direct proportion to the volume of business transacted, decreases as volume diminishes. Without that essential liquidity, an Exchange cannot function as a true market place for securities.

We're always, of course, subjecting our operations to intensive self-examination. But at present we are especially active in studying our problems and trying to find effective solutions. Currently we have five groups of our own people conducting searching inquiries into various phases of our work, into our organizational structure, our costs, our rate structure, and, of course, our liquidity.

Excessive Federal Regulation

While our self-investigations are by no means completed as yet, they have confirmed our opinion that low turnover on the New York Stock Exchange is in no small part a result of excessive Federal regulation which is reflected in a hardening of the arteries of the market for new equity capital.

Let me sketch for you the background of some of the heavy regulatory load under which the Exchange now operates. Before I do, though, let me give you an amusing comparison to show you just how completely regulated we are. Our own rules, the Federal rules, the Blue Sky laws in various states, and other dicta affecting the securities industry total roughly 1,000,000 words. Do you recall that marathon novel, "Gone With The Wind"? That book contained 475,000 words, or only 40% as much reading.

Today's over-regulation has its roots in the national spree of stock speculation which culminated in the price collapse of 1929-1932. The public demanded a victim. The victim—the securities industry—was laid bare on the operating table and every nerve end explored—with a vengeance. I don't think it necessary for me to recall for you the witch-hunting atmosphere which pervaded Washington at that time.

Three Federal laws were adopted as a result of the Pecora Investigation—the Banking Act of 1933, the Securities Act of 1933 and the Securities Exchange Act of 1934. I am sure that all of us are familiar with at least the broad provisions of these laws.

Out of those laws, and out of a drastic revision of our own rules and regulations, a Stock Exchange emerged that was built on the fundamental premise that the public interest is paramount.

We at the Stock Exchange have a high regard for the objectives that were sought by Federal regulation. For those objectives are ours, too. We have no intention to rant and rave "agin the government." For four years I was employed by the Federal Government and consequently know well of the good intent and conscientious effort expended by most government administrators in serving the public welfare. We believe firmly and sincerely, nevertheless, that the pendulum of regulation has swung too far with the result that the raising of new venture capital and the Stock Exchange's usefulness today as a national marketplace have been impaired.

It is a fair statement that the securities industry today is one of the most heavily regulated industries in the United States. I think the time has come to re-evaluate, realistically and honestly, the position of the Stock Exchange as an essential part of our business life today.

In the thirties the public and the government demanded a whipping boy. The Exchange was elected and has served honorably in that position for too many years. I think the time has come for us to resign that job. The time has come for us to stand up and talk turkey to our critics and our enemies. We're not asking for favors nor will we accept prejudice and discrimination.

I regard the Stock Exchange as the symbol of a free and enterprising business system, the symbol of a liberal capitalism dedicated to the common good. We have an obligation to fight for the principles in which we believe so deeply—whether it be against the administration of regulations adopted to meet conditions of some 20 years ago or against the oratorical meanderings of a politician trying to rattle the bones of the old Wall Street in what he thinks are his own best interests.

The Stock Exchange Serves The Nation

The New York Stock Exchange does not exist for the exclusive benefit of its members and member firms. It exists to serve the needs of industry and the needs of the investing public. And if we do not serve those needs faithfully and efficiently, we might as well close our doors and throw away the key. If we do not qualify as a public servant, we should be put out of business. There is no place in this country for economic parasites.

I believe the New York Stock Exchange is serving industry and the public faithfully and conscientiously. For over a year now, I have watched from the center the work of the Exchange. I say to you from my heart that not even in academic circles have I found more honorable or scrupulous men than those I have met in Wall Street.

Briefly, here are some of the more exasperating ways in which the proper free flow of equity capital is hamstrung.

If I want to buy one share of stock in Detroit Edison listed on the New York Stock Exchange, a Federal regulation decrees that I must pay at least 75% of the purchase price in cash.

But I decide I want an unlisted stock, a share of, say, Super National Industrial Co. which is traded in an unregulated market. Do I have to pay 75% cash for a share of this company? Certainly not if I borrow at a bank. The stock is not traded on a registered securities exchange—government margin regulations do not apply. I might pay 40% cash, perhaps as low as 25%, depending on what credit arrangement I could work out.

If I want to buy a washing machine or a refrigerator, by the

Continued on page 49

*An address by Mr. Funston at a luncheon meeting of the Economic Club of Detroit, Detroit, Mich., Oct. 6, 1952.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The first bank in the **New York Federal Reserve District** to be readmitted to the Federal Reserve System under the recently revised capital requirements law became a member bank again on Oct. 3. Charles F. Mott, Chairman of the Board, and Richard W. Hawkins, President, of the **Northport Trust Company, of Northport, Long Island**, announced the bank's admission, its resumption taking place after a lapse of about two years. It is explained that the bank had withdrawn in May, 1950, when it opened a branch at East Northport and could not meet the high capital requirements then stipulated for operation of an out-of-town branch. Congress has since amended the law to give the Board of Governors of the Federal Reserve System some discretion to determine whether capital is adequate for a bank's current and prospective operations. William F. Treiber, First Vice-President of the Federal Reserve Bank of New York, said the Reserve Bank had completed a special pre-membership examination of the Trust Company and had recommended approval of its membership application to the Board of Governors.

* * *

The Board of Directors of **The National City Bank of New York** voted on Oct. 7 to recommend to the shareholders that, at the annual meeting Jan. 13, the shareholders vote an increase in the capital stock of the bank from 7,200,000 shares with a total par value of $144,000,000 to 7,500,000 shares with a total par value of $150,000,000 and 300,000 new shares to be distributed as a stock dividend, in the ratio of one share for each 24 presently outstanding, to shareholders of record at the time of issuance of statutory approval of the increase by the Comptroller of the Currency. It will be requested that such statutory approval be issued on Jan. 19. The Comptroller of the Currency has given his tentative approval to the increase in the capital stock. The Board proposes, if the increase is voted and approved, to increase the surplus from $156,000,000 to $170,000,000, raising the combined capital and surplus from $300,000,000 to $320,000,000. The increase would be accomplished by transfers from reserves and from undivided profits, in approximately equal proportions. Estimating undivided profits after the transfer at more than $60,000,000, the total capital funds of the bank would exceed $380,000,000. The capital funds of the affiliated City Bank Farmers Trust Company total more than $31,000,000.

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THE NATIONAL CITY BANK OF N. Y.

	Sept. 30, '52	June 30, '52
	$	$
Total resources	5,888,906,767	6,025,683,556
Deposits	5,402,085,923	5,541,640,663
Cash and due from banks	1,588,817,014	1,541,981,993
U. S. Govt. security holdgs.	1,495,131,149	1,547,303,755
Loans and bills discounted	2,036,722,765	2,180,010,102
Undiv. profits	71,303,300	69,429,912

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CITY BANK FARMERS TRUST COMPANY, NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	189,577,354	177,625,750
Deposits	154,249,793	142,114,593
Cash and due from banks	82,679,670	64,008,495
U. S. Govt. security holdings	75,961,384	81,026,495
Loans & bills discounted	3,379,555	4,110,582
Undivided profits	11,267,715	11,240,909

* * *

Upwards of 1,475 of the 1,803 men and women of the staff of the **Chase National Bank of New York** with 25 or more years of service attended a dinner in their honor on Oct. 8 at the Waldorf-Astoria. Winthrop W. Aldrich, Chairman, and Percy J. Ebbott, President of the bank, were hosts and speakers at the dinner, which was followed by a program of entertainment. Attending this eighth annual dinner for the first time were 211 employees who reach their 25th anniversary of service in 1952. Of the total of 1,803, which represents almost 20% of the bank's staff, 1,708 are in New York and 95 are in overseas branches. Among them are 288 women. Oldest employees in point of service are Harold L. Van Kleeck, Vice-President, 49 years, and Victor F. Emanuel of the General Service department, 47 years. Miss Josephine A. Dunbar of the Retirement System, in her 41st year in the bank, has the longest service record among the women.

A study for the purpose of "liberalizing and improving" the employee benefits program of the **Chase National Bank of New York** has been completed and approved by the bank's directors, members of the Chase staff have been informed. The new program, the major features of which are a more liberal retirement plan and a new thrift-incentive plan, will be submitted to regulatory authorities in Washington and will be made effective as soon as approval has been received. Under the terms of the new program the bank will bear the entire cost of the retirement plan, and contributions by employees will be discontinued when it becomes operative. The salary base for computing pensions will be the average of the last five years before retirement, and the multiplier for each year of service will be 1½% instead of varying percentages as used in the present formulas. Special provisions will be made under the new plan for survivor's benefits and for other contingencies designed to safeguard the members of the staff and their families. Improved recognition will be accorded those who have interrupted or will interrupt their employment to serve in the U. S. armed forces. Staff members who have contributed to the old plans will have three options of what to do with the sum total of their contributions: they may deposit these funds in the new thrift-incentive plan, or purchase annuities in addition to those available under the new plan, or withdraw the lump sum in cash. The new thrift-incentive plan is a cooperative undertaking in which the bank offers staff members who wish to participate voluntarily an incentive to build a future reserve fund by joint contributions for their benefit. The bank's objective will be to make distributions from the fund to employees after retirement, death or termination of employment. In the case of members who leave the bank within a limited period of years after joining the plan, provision will be made for them to receive the full value of their own contributions plus a portion of the bank's contributions. In addition to continuing the free life insurance which the bank now gives to all employees in an amount approximately one year's salary, the new plan provides for a reduction of about 14% in the cost of a like amount of contributory insurance. Upon retirement or after 40 years of service the cost of the contributory insurance will be paid entirely by the bank.

* * *

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	5,375,666,120	5,697,633,277
Deposits	4,897,132,106	5,236,752,682
Cash and due from banks	1,343,682,826	1,477,139,774
U. S. Govt. security holdgs.	1,119,655,727	1,232,757,394
Loans and bills discounted	2,200,120,840	2,196,947,098
Undiv. profits	67,896,355	67,414,226

* * *

George M. Adrian, a Director of **The Marine Midland Trust Company of New York** and Chairman of the Board of its Yorktown Office, died on Sept. 30, after a brief illness. He would have been 75 years old on Oct. 12. Born in New York, Mr. Adrian entered the banking business at an early age. His grandfather, Michael J. Adrian, founded the **German Exchange Bank** in 1872 and his father, George S. Adrian, changed its name to the **Commercial Exchange Bank** during World War I. Mr. Adrian was Vice-President and Director of the Commercial Exchange Bank when it was sold to the National City Bank in 1921. Upon completion of this transaction, he spent six years in the real estate business. He became the first President of the Bank of Yorktown in 1926 and remained in that post until 1949, when the bank was merged with The Marine Midland Trust Company. He also was a Director of Henry Heide, Inc., candy manufacturer; President and Director of George M. Adrian & Co., a real estate and insurance firm, and Director of the Michael J. Adrian Corporation, a real estate company.

* * *

THE MARINE MIDLAND TRUST CO., NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	456,379,512	454,819,315
Deposits	419,210,564	413,597,353
Cash and due from banks	139,597,930	142,671,531
U. S. Govt. security holdings	124,744,487	132,607,142
Loans & bills discounted	176,625,799	169,169,305
Undivided profits	5,088,502	4,759,540

* * *

East River Savings Bank of New York has announced the retirement of Ernest Calcaterra, Chief Accountant. Mr. Calcaterra, a native of Sicily, had organized the Department of Foreign Exchange of the **Italian Savings Bank, of New York** which was the first office to sell Foreign Exchange. In 1925, as Head Bookkeeper of the Italian Savings Bank, he started the original work for the accrual system on mortgage payments. When the East River Savings Bank and Italian Savings Bank merged in 1932, Mr. Calcaterra became a member of the East River staff. He was appointed Chief Accountant in 1943.

* * *

GUARANTY TRUST COMPANY OF N. Y.

	Sept. 30, '52	June 30, '52
	$	$
Total resources	3,000,477,776	3,059,578,614
Deposits	2,559,483,276	2,624,548,347
Cash and due from banks	740,644,434	714,650,111
U. S. Govt. security holdgs.	736,130,882	755,314,385
Loans and discounts	1,339,198,024	1,397,599,413
Undiv. profits	84,044,353	82,184,218

* * *

MANUFACTURERS TRUST COMPANY, NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	2,682,604,705	2,732,503,686
Deposits	2,465,654,679	2,521,084,890
Cash and due from banks	742,139,252	834,507,473
U. S. Govt. security holdgs.	836,373,260	822,718,054
Loans & discts.	840,491,896	814,092,487
Undiv. profits	18,469,203	47,087,076

* * *

CHEMICAL BANK & TRUST COMPANY, NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	1,827,938,082	1,873,104,534
Deposits	1,659,511,136	1,707,538,687
Cash and due from banks	470,481,397	517,505,655
U. S. Govt. security holdgs.	418,854,299	457,248,130
Loans & discts.	732,885,414	720,131,190
Undiv. profits	23,482,174	22,210,532

THE HANOVER BANK, NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	1,674,178,154	1,732,401,629
Deposits	1,506,239,909	1,559,262,326
Cash and due from banks	458,622,812	498,005,973
U. S. Govt. security holdgs.	506,554,794	535,387,985
Loans and bills discounted	610,089,468	609,239,294
Surpl. & undiv. profits	116,034,179	115,492,791

* * *

BANK OF THE MANHATTAN COMPANY, NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	1,291,078,289	1,341,227,802
Deposits	1,175,167,954	1,225,720,756
Cash and due from banks	363,925,128	438,747,509
U. S. Govt. security holdgs.	317,895,900	320,634,116
Loans & discts.	538,322,566	507,267,963
Undiv. profits	18,725,970	18,170,849

* * *

CORN EXCHANGE BANK TRUST COMPANY OF NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	792,024,165	822,316,337
Deposits	738,457,214	768,889,837
Cash and due from banks	256,608,150	249,130,399
U. S. Govt. security holdings	343,068,583	383,366,867
Loans and bills discounted	142,591,710	144,425,037
Undivided profits	4,883,101	4,551,218

* * *

J. P. MORGAN & CO. INCORPORATED, NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	770,140,855	808,394,185
Deposits	666,444,200	720,985,261
Cash and due from banks	175,229,261	178,780,808
U. S. Govt. security holdngs	220,180,227	248,022,394
Loans & discounts	282,318,295	284,801,218
Undivided profits	11,148,455	10,476,779

* * *

IRVING TRUST COMPANY, NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	1,384,749,453	1,460,520,479
Deposits	1,225,811,276	1,312,738,905
Cash and due from banks	390,700,418	418,754,843
U. S. Govt. security holdgs.	304,552,616	382,368,675
Loans & discts.	586,642,991	575,134,810
Undiv. profits	16,209,901	15,630,929

* * *

THE NEW YORK TRUST COMPANY, NEW YORK, N. Y.

	Sept. 30, '52	June 30, '52
	$	$
Total resources	770,368,469	826,341,806
Deposits	684,768,690	741,468,953
Cash and due from banks	217,754,852	214,887,587
U. S. Govt. security holdings	191,749,679	250,375,792
Loans & discounts	325,049,247	329,352,458
Undivided profits	12,271,377	11,544,381

* * *

THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	525,065,094	523,284,686
Deposits	472,376,559	471,371,123
Cash and due from banks	128,865,104	124,135,663
U. S. Govt. security holdings	81,392,060	107,614,007
Loans & bills discounted	266,936,514	241,264,745
Undivided profits	10,918,031	10,569,024

* * *

BROWN BROTHERS, HARRIMAN & CO., NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	229,668,648	224,256,496
Deposits	198,985,069	193,738,611
Cash and due from banks	55,321,077	52,978,701
U. S. Govt. security holdings	58,062,245	53,633,415
Loans & bills discounted	48,966,386	48,493,730
Capital and surplus	14,225,284	14,205,284

* * *

UNITED STATES TRUST COMPANY OF NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	199,695,712	187,751,975
Deposits	165,104,660	153,374,102
Cash and due from banks	52,619,234	33,879,400
U. S. Govt. security holdings	70,642,060	72,155,016
Loans & discounts	58,099,169	63,674,240
Undivided profits	3,017,605	2,915,587

* * *

GRACE NATIONAL BANK OF NEW YORK

	Sept. 30, '52	June 30, '52
	$	$
Total resources	129,305,037	131,669,835
Deposits	109,130,639	113,462,929
Cash and due from banks	35,868,681	39,102,165
U. S. Govt. security holdings	43,960,027	43,039,425
Loans & discounts	38,981,864	39,189,621
Undivided profts	1,121,346	1,302,914

* * *

John Sadlik, on Sept. 30, was elected to the office of Assistant Cashier of the **Franklin National Bank of Franklin Square, N. Y.**, it was announced by Arthur T. Roth, President. Mr. Sadlik joined the Franklin National in June, 1951, after completing 15 years with the Manufacturers Trust

Company of New York. President Roth, also announced the election of Mrs. Irma S. Robins to the office of Assistant Director of Public Relations in the bank.

* * *

J. HENRY SCHRODER BANKING CORP., NEW YORK

	Sept. 30, '52	June 30, '52
Total resources	$95,931,224	$100,018,512
Deposits	66,731,581	67,690,817
Cash and due from banks	10,556,821	11,796,215
U. S. Govt. security holdings	42,138,612	41,288,964
Loans & bills discounted	17,413,385	18,200,248
Surpl. & undivided profits	4,121,145	4,112,335

* * *

SCHRODER TRUST COMPANY, N. Y.

	Sept. 30, '52	June 30, '52
Total resources	$44,812,157	$44,456,351
Deposits	38,927,420	38,680,831
Cash and due from banks	10,737,761	10,332,160
U. S. Govt. security holdings	23,248,768	24,593,322
Loans & bills discounted	9,940,148	8,372,903
Surpl. & undivided profits	3,118,344	3,109,811

* * *

CLINTON TRUST COMPANY, NEW YORK

	Sept. 30, '52	June 30, '52
Total resources	$31,154,527	$30,489,532
Deposits	28,771,191	28,126,241
Cash and due from banks	7,877,512	8,056,208
U. S. Govt. security holdings	12,047,303	11,566,661
Loans & discounts	8,663,459	8,325,614
Surpl. & undivided profits	1,059,845	1,031,799

* * *

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	Sept. 30, '52 $	June 30, '52 $
Total resources	873,903,094	890,053,331
Deposits	795,279,477	811,972,923
Cash and due from banks	270,197,565	261,579,026
U. S. Govt. security holdings	210,770,457	225,815,732
Loans & discounts	293,611,147	301,031,686
Undivided profits	13,537,340	13,044,598

* * *

FIDELITY-PHILADELPHIA TRUST CO., PHILADELPHIA, PA.

	Sept. 30, '52 $	June 30, '52 $
Total resources	248,231,616	244,153,299
Deposits	217,284,878	213,646,532
Cash and due from banks	58,130,751	54,750,587
U. S. Govt. security holdings	49,831,591	56,091,958
Loans	108,713,961	99,097,149
Undivided profits	4,695,243	4,488,271

* * *

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	Sept. 30, '52 $	Dec. 31, '51 $
Total resources	253,928,831	248,291,164
Deposits	232,252,143	227,730,525
Cash and due from banks	17,036,466	22,715,400
U. S. Govt. security holdings	75,543,272	85,562,160
Loans & discounts	127,036,513	124,434,742
Surplus	15,000,000	15,000,000

* * *

John C. Wright, President of **the La Salle National Bank of Chicago,** announced on Sept. 29 that Keith G. Cone, Vice-President, will assume general supervision over Business Development activities of the bank in addition to his present responsibilities as head of La Salle's Consumer Credit Department. Mr. Wright also announced that William J. Scott will be placed in charge of the bank's advertising and publicity program, and that Harold W. Dodge has been advanced to the position of Loaning Officer in the Commercial Loan Division. John Varley will succeed Mr. Dodge as Manager of La Salle's Commercial Credit Department.

* * *

The National Bank of Waterloo, at Waterloo, Iowa has increased its capital as of Sept. 18 from $500,000 to $700,000. The increase was brought about by a stock dividend of $100,000 and the sale of $100,000 of new stock.

* * *

Thomas Welding has been elected a Director and appointed Vice-President in charge of foreign business of **The Dominion Bank,** head office, **Toronto, Canada.** Mr. Wilding was formerly Assistant to the President.

New Securities Market

By MAURICE N. MOES

Erdman & Co., Members, New York Stock Exchange

Pointing out that Pension Funds, Mutual Funds, expanded investment of insurance companies and savings banks, along with lack of public speculation, have led to a basic change in market patterns, Mr. Moes finds diverse movements of individual securities now have no relation to general market average. Finds a growing interest in better grade securities.

Since the current bull market's inception in June 1949, I believe we in the "Street" have been unconsciously witnessing a change in the basic character of the market. Having worked with such technical devices as charts for many years in attempting to recognize a trend, it's continuation, or end, certain basic concepts have been violated enough times to make me question the continued value of such aids. I believe the cause for this can be traced to the changing character of a preponderance of the buyers of securities, which in turn, can account for the complete change from a stock market as we in the financial district knew it in the past, to a market of individual securities, with certain stock or group movements having no relationship with other stocks or groups. Even absolutely diverse movements have been witnessed in the market bearing no relation to the general market average whatsoever.

Maurice N. Moes

The outstanding recent growth of mutual and pension fund holdings of corporate securities of all types, plus the gradual but increasing importance of Life Insurance and Savings Bank participation in common stock ownership have been, I believe, the important factor in this evolution going on right under our very noses. We in the business may have been too close to the picture to recognize it sooner. I do not intend to discuss in this article the effects on the brokerage fraternity, but rather to limit my discussion solely to the effect on the market itself.

Speculation and short-term interest in the market is down to a minimum, and shrinking further under the influence of high taxes, high margins, and high commissions, all contributing their share to discourage a short, speculative use of the market. On the opposite side we find the long range investment view in a growing phase. The Mutual Funds have accomplished a big job in selling their idea to the public and have thus been able to take about $4 billion from former individual participants in the market, whose purchases may have been limited to the very speculative stocks, and channel that money into the seasoned investment calibre securities. Knowing the average person's history in the market, it was small wonder that the mutuals were able to capitalize on their idea of long range view, plus return and diversification. Their purchases are thus heavily weighted with the higher grade type of security, and since the purchaser of a mutual fund stock is a long-term holder, it follows that the funds themselves are similar holders. They may switch from time to time, but the major portion of their holdings are little disturbed; and as they grow so their investments grow apace.

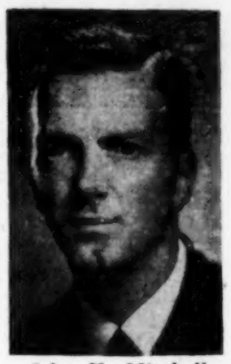
Pension Funds are even more exacting in the character of their purchases. The estimated total of trusteed pension plans, insured pension plans, and state and local plans is put at $22,000,000,000, exclusive of Federal plans. It has been estimated that of an annual addition of about $3,000,000,000 seeking investment, about 20% of trusteed funds is being put into equities. Under the current investment climate of a substantial difference between rates of return on common stocks and bond yields, pension funds may be expected to continue their buying of high quality commons. Life Insurance Companies' stock holding figures are available. State laws govern their participation, but a more liberal attitude has been the trend as evidenced by the 1951 passage of a New York State law permitting Life Insurance Companies to purchase common stocks in very limited amounts. Even so, the aggregate national figure is not small. The 1951 purchase of commons by these companies totalled $159 million, bringing total holdings of such shares to $690 million. The 1949 figure was $411 million. The 1952 total will approximate $800 million, or about a 100% increase in four years. Savings banks too reflect the more liberal "new look." Recent New York State legislative action permits these institutions to purchase equities in limited amounts under certain standards. As far as can be ascertained, these purchases have been small, but it does represent a huge potential, which also will be limited to the very high grade type of stock.

We thus can easily visualize a continued growing interest in the better grade equities, and a shrinking interest in the speculative marginal, or less seasoned securities. Now to correlate all this into my conclusion. The above described types of holders, having purchased securities for the long term and income, which may run into years, are not easily dislodged from a position because of reactions in the market, small or severe, as long as the fundamental reasons for the purchase are not altered. The short term holder, or public speculator can be shaken out. Historically, as a market violated an important chart point, enough people would be there to sell on the breaking of that point to aggravate the decline, and with low margin requirements it wasn't long before weakened margin accounts added fuel to the plunge. Nothing creates selling like selling. I have noticed that many such seemingly important points have been violated since 1949, but with no important general declines following. The sizable declines in individual stocks have not disturbed the general high level of the averages used. With this, one can note that the more speculative type of security never had the rise normally expected in a three year bull market. Some of the present cheaper shares sold two to three times higher in the bull swings culminating in 1937 and 1946 even though their financial status, earnings, and dividends may be currently better, and the general averages used at a much higher level than at the two previous peaks.

This points to the fact that the internal technical structure of the market may be much sounder at this seemingly high level than at lower previous bull market levels. The speculative bubble that usually burst upon the weak holders of stocks seems to be conspicuous by its absence. Thus we do find that in June 1951, when the market violated what looked like a very important point at 244 Dow Jones, the piercing was actually the end of the liquidation. Again in May 1952, the 256 level was broken, yet the market reversed itself from there. The selling with increasing volume we might have seen in the past, never materialized. The speculation wasn't large, hence the liquidation wasn't extended. True, only a small amount of stock in today's thin market is needed to cause a small move in either direction, yet the more speculative equities as a group never seem capable of engendering enough public interest to carry them forward for any real bull move. And conversely, not having had any sizable move, no large speculative interest is there to be dislodged in a down move. An isolated speculative share may have an extended move under the impetus of a singular reason affecting the company, but such a movement is very localized. We may be witnessing the beginning of a new type market. A market whose major movement, or lack of broad movement, is determined by the relatively new and powerful buyer of stocks, and by the very nature and aims of their holdings. The rapid and wide gyrations of the market as a whole may have been relegated to the past of low margins, low taxes and larger public interest in speculation.

J. K. Mitchell With Provident Trust Co.

PHILADELPHIA, Pa. — Benjamin F. Sawin, President, Provident Trust Company of Philadelphia, has announced the appointment of John Kearsley Mitchell as a Trust Officer of the company.



John K. Mitchell

Mr. Mitchell, a resident of Bryn Mawr, was graduated from Harvard in 1934. Until he entered the Navy in 1941 he was engaged in several manufacturing enterprises. As a Naval officer he participated in 13 major engagements in the Atlantic, Mediterranean and Pacific theatres. He returned to inactive duty with the rank of commander in 1946, when he became a representative of Smith, Barney & Company. Three years later he became associated with Brown Brothers, Harriman & Company. Mr. Mitchell's responsibilities at Provident Trust will be concerned with trust investment administration.

Joins H. L. Robbins

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Nathan Grove has become associated with H. L. Robbins & Co., Inc., 40 Pearl Street.

Our Postwar Achievements and the Year Ahead

By HON. JOHN W. SNYDER*
Secretary of the Treasury

Our country has had to face many difficult problems in these past six years. When we view the period as a whole, however, I believe that we can all share a sense of very real accomplishment. There may be differences of opinion as to particular actions which were taken at particular times. But the fundamental tasks which loomed so large then, have — step-by-step — been accomplished with conspicuous success.

John W. Snyder

The 1946 Problems

Let us recall for a moment some of the problems which were the subject of genuine concern in 1946. We might single out three, in particular, which were in the forefront of many of our discussions at the time of your Association meeting in that year.

The first and most serious, of course, was the question of business readjustment. War production had been cutback severely. The military budget was slashed, and millions of citizens recently in the Armed Services were reentering civilian life. Every other large-scale war in our history had been followed by widespread unemployment and economic dislocation. Would we be able to avoid a major depression this time? There were very few, in the fall of 1946, who would have been willing to give a strongly positive answer to that question.

A second matter particularly concerned you, as bankers. Would the commercial banks of the country be able to perform their necessary peacetime functions, and maintain profitable operations, in view of their large holdings of government securities and the uncertainties of the business outlook? Here, again, the prospects were far from clear.

Finally, there were many doubts as to whether we would be able to manage our huge government debt successfully. In June 1946, the public debt amounted to $270 billion. It represented 60% of all outstanding debt, public and private. There was no way of predicting what would happen to government security holdings when private business and investment programs began to take hold. There were no guides from the past to tell us how the problems of debt management could best be handled. Under these circumstances, could we possibly steer clear of the obvious dangers?

I believe the majority opinion among bankers is that considerable success has been achieved in those three main areas.

I am sure that I need not recount to an audience as well informed as the present one the success experienced in the area of business readjustment following the war. Among the sigificant economic developments of the past six years, however, I should like to single out one in particular.

That is the fact that we have been able to achieve an economic climate favorable not only to a high level of current activity, but also to a very large volume of long-term investment. It is extremely significant that private industry has invested over $160 billion in new plant and equipment in that relatively brief period. This dynamic expansion increased manufacturing capacity by 50%, steel capacity by 20%, electric power capacity by 50%, and petroleum capacity by 63%.

Our farms are producing food, fiber, and livestock in quantities which were thought impossible a few years ago.

Yet the figures tell only a part of the story. In the past six years, American ingenuity has been opening up tremendous new storehouses of resources—unknown or undeveloped in the years before World War II. Every day — we might almost say, every hour— the stream of materials available to American industry and agriculture is being broadened and altered by discovery, by development, and by the constant push of American enterprise.

The Banking System's Contribution to Upsurge

Among the important factors which have contributed to the remarkable upsurge of American business in the postwar period has been the performance of your own institutions of the banking system. The vastly increased financial services necessitated by expanding business and widening markets have been handled with the highest degree of efficiency and skill. The banks have done a commendable job—and I say this on the basis of personal knowledge—for many of your duties have involved the tremendous volume of government business which flows into and out of the banking system.

In handling the expanded volume of business incident to the growth in national production and income, taking care of the greatly expanded deposits, servicing the increased loan portfolio, and taking care of the greatly enlarged personal services to customers, the banks have naturally experienced a substantial increase in operating expenses. Yet the truth of the matter is that after absorbing these additional costs and the increased taxes made necessary by our stepped-up defense program following the Communist invasion of Korea, it is estimated that the net profits, after taxes, of all insured commercial banks, amounted to $5 billion during the six years ending last June 30. This is a yearly average of over $800 million as compared with less than $400 million in 1939. Or expressed another way, the rate of net profits on total capital accounts was 5.98% in 1939 as compared with the yearly average of 8.10% in the last six years.

Now for a brief look at the remaining area of major concern six years ago—the finances of the government. It is now a demonstrated fact that a debt of the present magnitude can be managed successfully. Debt management operations of vast proportions can be conducted without setting off harmful repercussions in the economy. Substantial reductions were made in the wartime total of the debt, bringing it down from $270 billion in June 1946, to $255 billion in early 1950, just before the rising expenditures of our security and defense programs changed the financing outlook.

During the six years ending June 30, 1952, in fact, the government's finances were better than balanced. This occurred despite the increase in expenditures following the Communist invasion of Korea. In this six-year period, there was a net budget surplus of over $3\frac{1}{2}$ billion; and the government security holdings of the commercial banking system had been reduced by $24 billion.

During the present fiscal year, however, our national security expenditures have necessarily increased; and we again face deficit financing. This course of action was forced upon us by the ruthless program of the Communists for world domination.

With the fine working arrangement existing between the Treasury and the Federal Reserve System, and with the continued staunch support of the banking system those cooperation the Treasury has enjoyed throughout the postwar period, the continued successful management of the debt, though formidable, is attainable.

Certainly we have had our ups and downs in the postwar period —business, banking, and the Treasury. But when we look in retrospect at our experience during the past six years, with all the problems, the trials, the moments of anxiety, we must conclude that we have all fared far better than we could have foretold in 1946.

This is, of course, reminiscing. But what we are really concerned with always is what will happen in the future. Whether we can maintain our high level economy is the real question before us today. It is, without doubt, a dangerous indulgence to attempt to foretell the future, particularly in view of the many imponderables in the international situation. But I do not think it is harmful to take a look at the factors which are responsible for our present basic prosperity.

Prosperity Factors

Outstanding is the broad distribution of income. People have the money to buy; and business has enjoyed profits — even after increased taxes — high enough to provide strong incentives for development and promotion programs. The result is that mass consumption, together with greatly increased productivity, has raised our national standard of living substantially above prewar levels.

Another strong support for business prosperity is our rapidly growing population. In a dynamic economy characterized by efficient use of resources and highly developed technical and managerial skills, a growing population means a continually enlarging market. It means a continually increasing demand for new houses, shopping centers, highways, schools, municipal facilities, and consumer goods of all kinds. It means a continual search on the part of business for new products which will have a mass appeal.

I find no evidence that the flow of new inventions and discoveries, which has provided such strong stimulus to our economy in the postwar period, is slackening off.

Yet another factor of basic strength in our dynamic economy is the sound financial position of both business and individuals. A significant part of the capital funds used in the development programs of American business during the past six years came from the retained earnings. Individuals were able to expand their liquid assets by about $6 billion during 1951, reaching a total of approximately $210 billion at the end of the year. These savings give a sense of security which provides strong support to a high level of current buying.

All in all, there seems no doubt but that the long-term factors underlying our present prosperity could provided the basis for a strong forward movement when defense production eases off. The peacetime markets existing in this country alone are almost limitless; and American business has already proved that it is well aware of the opportunities which this situation provides.

As bankers, you will play an important part in our postdefense economy when—as we all hope—it finally arrives. There have been many new developments in the record of partnership between banking and business in this country during recent years, and I am sure that your own era of expanded service and of greater efficiency of operation is only in its beginning stages

I have dwelt on the strong features of our economy today, rather than on its problems, because we Americans have always been our own best critics. When we look back over the past, we are apt to give first thought to goals which were not completely realized, and to dangers and threats which have not yet been eliminated.

Certainly, it is of the greatest importance today that all of us make every effort to grapple with the serious problems which confront us, both the domestic and on the international fronts. But at the same time, we can derive new resolution from the record of our accomplishments in the brief years since the close of World War II. It is of overwhelming significance that our nation has come out of this period strong enough to maintain a healthy and growing economy while producing the material for our immediate defense needs; supporting a military establishment of $3\frac{1}{2}$ million men; building production adequate for an all-out war emergency, if it should come; and extending necessary aid to our allies in our mutual struggle against Communist aggression.

These achievements are most impressive. If we continue to make full use of the material resources, the freedom of inventive minds, and the devotion to high purpose which have characterized this country in the past, I have no doubt of the outcome. Aggression will be stopped. The traditions of freedom and justice which are the legacy of Western civilization will be preserved for future generations.

*An address by Secretary Snyder before the 78th Annual Convention of the American Bankers Association, Atlantic City, N. J., September 30, 1952.

Protecting the Trust Beneficiary

By JOSEPH W. WHITE*
Vice-President, Mercantile Trust Company, St. Louis, Mo.
President, Trust Division, American Bankers Association

ABA official, citing Trustmen's difficulties flowing from dollar depreciation, maintains prudent policy is to give trustee full discretion in selecting investments. Warns of public's current excessive "souring on" bonds, and recommends that risk in these unsettled times be spread between equities and fixed-income securities, with a backlog of high-grade bonds forming sound foundation for trust accounts.

In Chicago at the Mid-Continent Trust Conference last November, I called attention to the sad plight of many trust beneficiaries who are suffering hardships because of restrictive investment provisions in wills and trust agreements. By this I mean those provisions that limit a trustee in the selection of investments for trust accounts; for example, a clause in a will providing that the trustee may purchase only government bonds or real estate mortgages. Trustors and testators should realize that no one can forecast with any degree of certainty what investments would be most advantageous from time to time for trusts that are to run for many years. Therefore, the prudent policy to follow is to give the trustee full discretion to select the investments that seem most acceptable at the time the investments are to be made.

Joseph W. White

If a testator or trustor does not have sufficient confidence in the trustee he has selected to give him broad discretionary powers of investment to be able to cope with changing economic conditions, he should choose a trustee in whom he does have confidence. If it is desired for some particular reason to place restrictive investment provisions in a will or trust, it would be wise to give the trustee the power to use principal in case the income is not sufficient to care properly for the beneficiary.

Every trust institution has numerous accounts where because of limited investment powers an adequate return cannot be secured today. There is no sadder task a trust officer has to perform than to explain this situation to a widow or other beneficiary, realizing at the same time that the testator or trustor was far more interested in the life beneficiary than in the remaindermen for whom the principal is being preserved intact. The condition of these unfortunate beneficiaries has been accentuated during this inflationary period.

Let us continue unceasingly to urge our customers to give broad investment powers to their trustees and to give them discretionary powers to make principal encroachments in order to protect preferred beneficiaries in emergencies.

Pension Trust Investments

May I repeat the word of caution I gave last February at the Mid-Winter meeting in New York on investment of pension trust funds. At that time, I urged a conservative investment policy in administration of these trusts, particularly where the agreement provides that the employee on retirement is to receive a fixed number of dollars per annum. In my judgment, the investment policy in such a trust should be entirely different from that followed in the average trust where the trustee is given broad investment powers and full discretion in the management of the account and where the beneficiary understands that he is to receive only such income as the fund may earn.

In the latter type of trust, a trustee should strive to protect the beneficiary against the decrease in the purchasing power of the dollar as well as to preserve the principal. Here, a trustee would be investing prudently by placing a substantial portion in well selected common stocks, as high as 50% to 60% at this time.

In pension trusts, however, with an obligation to pay each retiring employee a fixed amount each month for life, a much more cautious investment plan should be followed. In these trusts, the trustee should invest more lightly in equities, perhaps not more than 30% to 33%. In my opinion, a trustee can safely go that high in common stocks because, as you know, disbursements from pension trusts can be rather accurately predicted. Accordingly, so long as there is not an undue commitment in common stocks, there is little likelihood that a trustee would have to liquidate stocks during a depressed market.

Now, let us see what investment limitations are placed on other companies whose contracts also call for the payment of fixed amounts of dollars at maturity. Well, most states limit life insurance companies to investments in bonds, notes secured by first mortgages, debentures, real estate to a limited extent, and preferred stocks. A very few states, notably New York, permit the investment in equities up to 5% of total assets. Likewise, banks that are members of the Federal Reserve System are prohibited from buying stocks.

The restrictions have been placed on life insurance companies and banks because experience has demonstrated that stocks are subject to wider fluctuation marketwise and are more speculative than high grade bonds and notes secured by mortgages. When state and Federal authorities throw such safeguards around the holders of insurance policies and depositors in banks, should we not be exceedingly careful not to place too large a percentage of pension reserves in equities?

If corporations wish to direct their trustees to place substantial portions of these reserves in common stocks, which carry greater capital risks than bonds and mortgages, the directions should be set forth specifically in the agreements, so that there can never be any criticism leveled at the corporate trustee.

As a further safeguard, where common stocks are bought, I would like to see a sinking fund set up each year out of the earnings in excess of the interest requirements on the reserves as fixed by the agreement, as a buffer against capital depreciation marketwise. In fact, it would be beneficial to allow all of the excess earnings resulting from stock investments to remain in the sinking fund. Corporations at this time, with the high income tax rate, could well afford to permit this and at the same time continue to pay the current yearly costs. Over the years, these excess earnings would build up a substantial backlog to offset possible future capital loss.

I realize that the present income tax law probably does not permit corporations to deduct excess reserves of this kind as expense, but I feel that if the advantages that would accrue to pensioners under such a plan were presented to the Treasury, any necessary change in the law could be effected. Perhaps this might be a project for the Committee on Taxation next year.

I should like to see every possible safeguard thrown around pension trusts—first, to insure as far as is humanly possible that pensioners will receive without diminution their full annuities, for which they have labored for many years. Secondly, trust institutions have built up an outstanding reputation in the field of investments, which should not be jeopardized by going too far in equities, without specific direction and full knowledge on the part of the corporation and the beneficiaries of the risk involved.

Investment Problems

In all my years of experience in the trust business, I have never seen beneficiaries and co-trustees so opposed, so antagonistic to the purchase of bonds for their trust accounts as they are at the present time. This attitude does not stem alone from the small yield on bonds as compared to common stocks, but also because they know that in addition to the low return, they suffer a further loss by reason of the reduced purchasing power of the dollar. People have soured on bonds and do not want them in their accounts.

Time after time, customers have come to us complaining that all through World War II they bought United States Government Series E Bonds, often at great sacrifice; have held them for ten years, and now, as the bonds begin to mature, they find the dollars received in payment have only about half the purchasing power they had at the time the bonds were bought. In other words, their investment has depreciated approximately 50% in purchasing power, while at the same time stocks appreciated tremendously, labor has received staggering increases in pay, and farmers have enjoyed numerous benefits.

This great army of individual bond buyers who belong to no pressure bloc, on the other hand, have been severely penalized for what they considered to be an expression of their patriotism; and they resent it deeply, as you all know. All during the last war they were importuned to buy government bonds, with the assurance that they were the finest investment in the world. These good citizens are pretty well disillusioned today. Why our government officials are so complacent in the face of this undercurrent of dissatisfaction is hard to understand. Across the entire country, trust officers are being urged to sell government bonds out of trust accounts and buy only stocks. This condition is not sound. I do not believe we should go 100% in stocks, although many of our customers are putting pressure on us to do so.

In my judgment, it is more prudent for a trustee to spread the risk between equities and fixed income securities in these unsettled times. A backlog of high grade bonds, due to their greater stability, should form the foundation for trust accounts. They represent a debt of the corporation, whereas stocks do not, and are less subject to fluctuation. I have said on many occasions that at the present time it would be wise to invest from 50% to 60% of an account in common stocks of well managed, financially sound companies, as a hedge against the inroads of inflation, with the balance in bonds, mortgages, and preferred stocks. However, there is nothing sacred about these percentages, and some trustees might be inclined to go higher in stocks and others not so high. Surely no one could criticize a trustee for steering a somewhat middle course in these days when we do not know what tomorrow may bring forth—let alone next month or next year. Of course, a uniform policy cannot be formulated to fit all trusts. The trustee must consider the needs of the beneficiary, the terms of the instrument, the duration of the trust, and should then determine the ratio as between bonds and stocks for that particular trust account.

*From an address by Mr. White before Trust Division at the 78th Annual Convention of the American Bankers Association, Atlantic City, New Jersey, September 29, 1952.

N Y Inv. Assn. Sponsors New Fall Course

Final plans for a Fall course covering "The Economics of the Security Industry" have just been announced by Harry A. Jacobs, Jr., President of The Investment Association of New York, and Dr. C. Stewart Sheppard, Administrative Assistant, New York University Graduate School of Business Administration.

The course was organized to give Association members and others a background in current developments in the field of finance. Starting with a lecture on the "Outlook for Interest Rates" by Dr. Marcus Nadler on Oct. 15, the course will include eight weekly lectures by a group of prominent financial experts, concluding with a panel discussion directed by Dr. Jules I. Bogen as moderator. Other speakers and subjects will be:

Oct. 22—"The Outlook for the Domestic Economy," Dr. Jules Backman, Prof. of Economics, NYU.

Oct. 29—"The Outlook for the Supply of Institutional Investments," Donald Woodward, Vice-Pres., Mutual Life Ins. Co., N. Y.

Nov. 5—"The Outlook for Tax-Exempt Bonds," Harold C. Taylor, Municipal Bond Dept., Chase Natl. Bank.

Nov. 19 — "Pension Funds," Roger Murray, Vice-President, Bankers Trust Co.

Nov. 26—"The Long Term Outlook for Equity Prices," Benjamin Graham, Pres., Graham-Newman Corp. & Guest Professor, Columbia University.

Dec. 3—"The Outlook for Corporate Bond Financing," Arnold LaForce, Vice-Pres., Metropolitan Life Ins. Co.

Admission to the course has been limited to 80, including 62 Association members, and others chosen from among a large group of applicants.

The Investment Association of New York, founded in 1947, has a membership of 275 younger men employed by over one hundred Wall Street firms.

Chicago Analysts to Hear at Luncheon

CHICAGO, Ill.—A. B. Layton, Vice-President of the Crown Zellerbach Corporation will address the luncheon meeting of the Investment Analysts Society of Chicago to be held October 9th in the Georgian Room at Carson Pirie Scott & Co.

John M. Gilbert

John Maynard Gilbert, associated with H. P. Wood & Co., Boston, passed away October 1st.

This is National Steel

Seven great divisions welded into one

NATIONAL STEEL

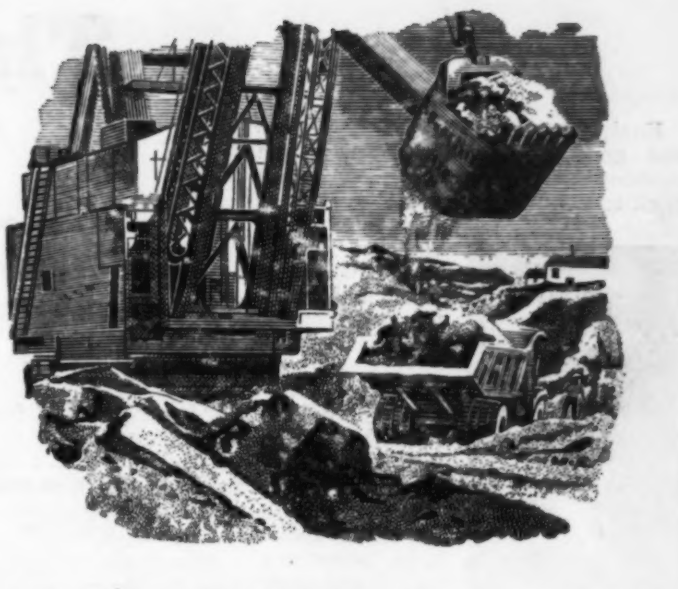
It takes a lot of doing to make a ton of steel. Probably no other industry requires resources so tremendous in variety and extent as those needed in the steel industry just to maintain operations.

And in an industry whose very essence is bigness, National Steel is big!

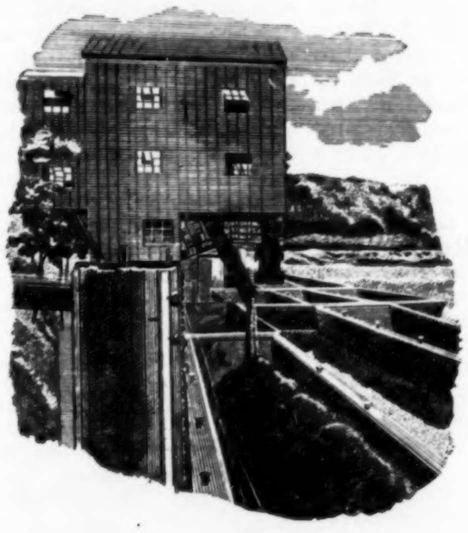
National Steel owns and operates vast mines and mills, the world's largest open hearth furnaces, a great fleet of lake ore boats and river barges, the biggest and fastest electrolytic plating lines, one of the world's largest continuous rolling mills.

And to meet the growing needs of tomorrow, National Steel continues to expand, with a capacity of 6,000,000 ingot tons annually set for 1953.

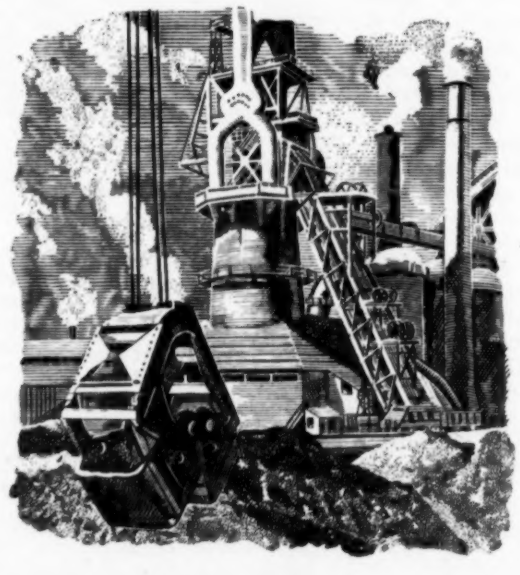
This, then, is National Steel . . . growing to serve the needs of all America . . . completely independent . . . completely integrated . . . one of the nation's leading steel producers.



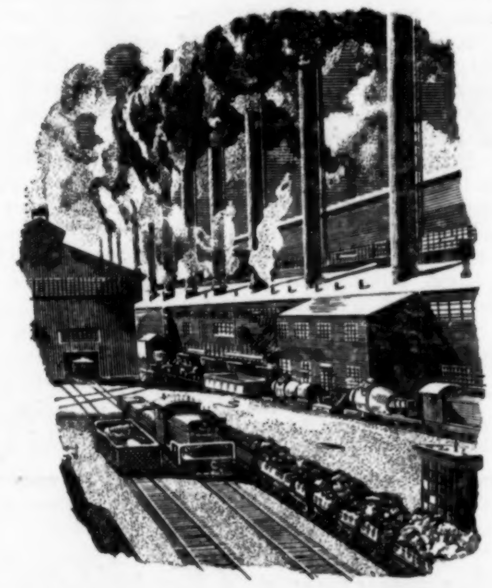
HANNA IRON ORE COMPANY, Cleveland, Ohio—Iron ore properties and mines in Minnesota, Wisconsin and Michigan. In addition, National Steel is participating in the development of the important new field in Labrador-Quebec, where great reserves will help to assure the future supply of iron ore—the basic ingredient of steel.



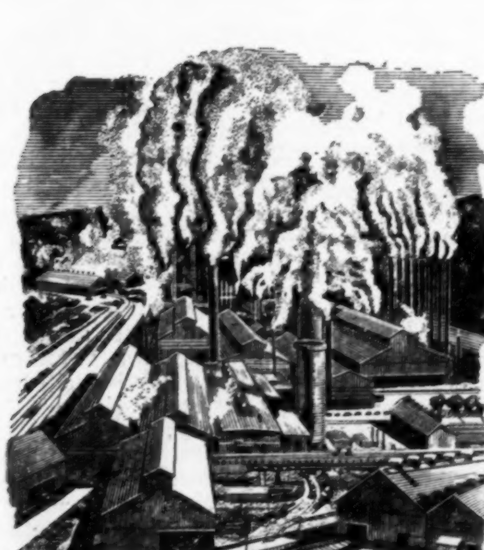
NATIONAL MINES CORPORATION—Coal mines and properties in Pennsylvania, West Virginia and Kentucky, supplying high grade metallurgical coal for National's tremendous needs. Recently, coal resources were further expanded by the acquisition of a substantial interest in two large mining operations in the Pittsburgh area.



THE HANNA FURNACE CORPORATION—Blast furnace division of National Steel, in Buffalo, New York. Its four furnaces augment the pig iron production of National's eight other blast furnaces in Detroit and in Weirton, West Virginia. In addition, it is a leading producer of all grades of merchant pig iron for foundry use.

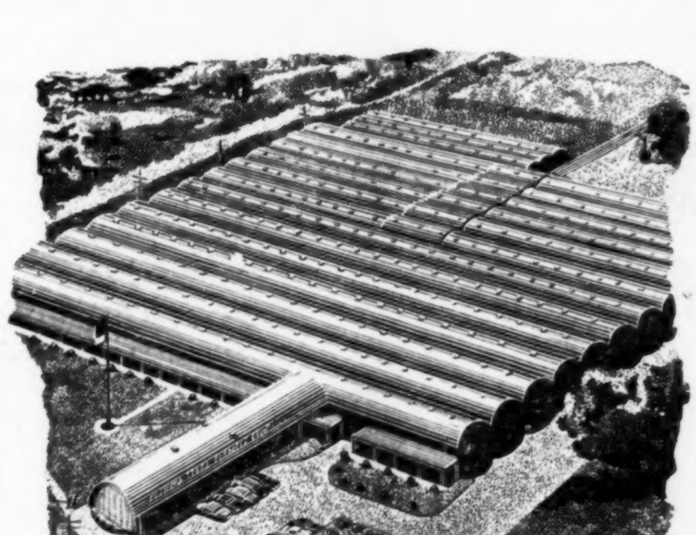


GREAT LAKES STEEL CORPORATION—Located at Detroit, Michigan, this unit of National Steel is the leading steel producer in that important industrial area. Its complete steel-making facilities enable Great Lakes Steel to furnish a wide range of industries with a large volume and variety of standard and special steels, including famous N-A-X High-Tensile steel.



WEIRTON STEEL COMPANY—The world's largest independent manufacturer of tin plate, with mills at Weirton, West Virginia, and Steubenville, Ohio. A pioneer in developing the electrolytic process for applying protective coatings to steel, Weirton operates the world's largest and fastest electrolytic plating lines. Products include a wide diversity of other finished steels.

STRAN-STEEL DIVISION—A unit of Great Lakes Steel, with plants at Ecorse, Michigan, and Terre Haute, Indiana. Originator and exclusive manufacturer of the famous Quonset buildings. Other principal products include Stran-Steel nailable framing for the building industry and Stran-Steel flooring for trucks and truck trailers.



NATIONAL STEEL PRODUCTS COMPANY, Houston, Texas—A leading steel distributor in the Southwest, furnishing a wide variety of products to thousands of customers in a ten-state area. The huge plant and warehouse—A Quonset structure fabricated by the Stran-Steel Division—provides five acres of floor space under one roof.

NATIONAL STEEL CORPORATION

GRANT BUILDING PITTSBURGH, PA.

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

The Year Ahead of Us

By WALTER E. HOADLEY, JR.*
Economist, Armstrong Cork Company

Industrial economist predicts after spring 1953 demand will fall off, particularly in heavy goods lines, with depressing effects on prices. Expects redirection of the defense program, accompanied by "rolling adjustments" and great irregularity between different lines of business, rather than a full-scale drop.

Each year as Labor Day comes and goes, the average American businessman sends his children back to school, reluctantly watches his wife fill up the Fall and Winter social schedule, unhappily sees his secretary cram his own calendar with meeting dates and appointments, and with mixed emotion turns his attention to business prospects for the remainder of the year—(largely to see whether there will be enough money in the till to pay the bills, including taxes). Some of the most hearty—perhaps "foolhearty"—even begin to look at what might lie ahead after the new year begins in January. That's where I come in.

W. E. Hoadley, Jr.

It's a matter of record that September forecasters often miss their mark pretty badly about coming events because they have lost touch with the basic trends of business during the vacation haze and the Summer doldrums in many activities. This year any one who attempts a forecast in September not only has to shake off the after-effects of Summer, but also to reckon with such imponderables as: What will happen on the international front? What will the voters do at the polls in November? I don't have to tell you that my work is really cut out for me this afternoon in appraising "the year ahead."

But, I don't for a minute apologize for forecasting. My reason is very simple — there is no escape from it, in banking or any other business. Every decision you and I make rests implicitly or explicitly upon some assumption we've made about what lies ahead. Not to forecast is not to plan—which is unthinkable for any well managed organization. Much of the impatience and suspicion about business forecasting arises because all too often forecasts are expected to pinpoint coming events rather than to provide a reasonable course of action in view of the uncertainties at hand. Naturally, all of us are anxious to know exactly what will happen; but if we are completely realistic, we will also prepare ourselves as far as possible for what could happen to upset our calculations.

With this general objective in mind, I would like to direct our attention to three topics: (1) the current business situation—to establish where we now stand; (2) the principal economic forces which will be operating over the year ahead—to ferret out the underlying trends at work, and (3) some potential psychological and political developments—to try to determine to what extent they may either offset or accentuate the more strictly economic forces.

So as to eliminate all possibility of suspense, and also to give you an opportunity to check your own thinking with mine as we go along, let me state my principal conclusions at the outset:

(1) Expanding economic forces will push general business up moderately during the closing months of 1952 and into the Spring of 1953, but thereafter some basic weaknesses in demand will begin to appear, particularly in the heavy goods lines, with depressing effects upon many prices as well.

(2) Political developments abroad as well as in this country will cause important changes in public attitudes toward some government economic policies and very likely lead to redirection of the defense program.

(3) Economic and political events will combine to produce a sufficiently high volume of business to warrant classifying the year ahead as part of the extended postwar boom and not as a "recession" year. General business will average close to the experience of the past 12 months, and be marked by further "rolling adjustments." Sales and earnings will continue to vary noticeably among individual lines of business depending upon their relation to the defense effort and the extent to which they have already faced readjustment since the outbreak of the Korean War.

These are my conclusions. Now let's take a look at the evidence which underlies them.

The Current Business Situation —Where Are We Now?

One morning a few years ago, I was walking along the wooded shore of Lake Michigan north of Chicago when I came upon a fellow who pretty obviously hadn't been home the night before. He'd had a few (or perhaps a dozen) "too many." When I found him, he was hugging a tree for support. In a moment, he released his hold on the tree and started for another tree about 25 feet away. I was sure from the way his legs wobbled and the staggering course he was following that he'd fall on his face before he reached his goal —the next tree—but somehow he made it. Similarly he set out for another tree—and once again it seemed as though he'd certainly fall—but he didn't. After successfully completing four or five "missions" from tree to tree, he disappeared from sight, leaving me to wonder whether he'd finally hit the dirt or sobered up enough to get home. In several respects, the course of general business over the past decade has paralleled the experience of my unknown friend in the lakefront park. Despite the widespread expectation for several years that a sharp fall in general business would occur as the inevitable aftermath of war and postwar inflationary excesses, somehow the intended victim is still on his feet with only a few wobbles on the record.

The 1945-46 much heralded reconversion collapse turned out instead to be part of an unprecedented period of high economic activity. The hesitation in business in 1948-49, touched off by new fears of depression, produced some wobbles, but no real fall because the public still hadn't satisfied its accumulated wants from the war period. When economic clouds began to gather again in 1950, the Korean crisis intervened to produce the greatest wave of scare buying in history, with a substantial sales increase for virtually every business in the nation. The let-down following this record-smashing period of buying produced a few severe shakes here and there in business last year and during the early months of 1952. But, again, no general collapse has occurred; and the immediate business outlook is for new strength rather than weakness. Following a postwar tradition, many forecasters have now pushed ahead the "inevitable collapse" another year—so 1953 is currently being nominated as the year for "D" (Depression) Day when real trouble starts. That's still too early for me.

I find cause for a good deal of encouragement rather than alarm in the somewhat mixed business conditions which have prevailed for some months. Because a good deal of piecemeal adjustment already has taken place among individual lines from sellers' to buyers' markets, we can all face the future with more confidence than if these adjustments still were ahead.

In the midst of a very high overall level of business activity, about 40% of American industry has passed through a period of moderate to quite-severe sales reduction and inventory liquidation during the past 18 months. Included here are many of the so-called "soft-goods" industries—e. g., textiles, clothing, rugs and carpets, shoes, and some chemicals and foods—as well as several "hard-goods" industries; e. g., major household appliances, TV, and furniture. For the most part, these lines are now reporting a substantial pick-up in orders, output, and sales with consequent improved earnings prospects.

Another 25% of American business is now in the throes of adjusting to more "normal" selling conditions. In this group are some goods which were in tight supply not long ago; e. g., general purpose machinery, pharmaceuticals, some nonferrous metals, fats and oils, glass, coal, lumber, and a few other building materials. Each one of these industries poses special problems so that it is difficult to generalize about recovery prospects. But inventories are being worked down and managements are making determined efforts to produce their goods at lower costs in the interest of offering the public what it always welcomes—improved products at more attractive prices.

The remaining 35% of American business has ridden the crest of the postwar boom with negligible interruptions, if any, in upward sales and trends, aside from strikes. Many of the nation's most basic industries fall into this group: iron and steel; petroleum; numerous industrial chemicals; utilities; heavy special-purpose machinery and machine tools farm equipment; and military aircraft, vehicles, weapons, and ammunition, including atomic materials. Although demand for some of these products is less urgent than a year or two ago, there is little reason to anticipate any abrupt falling off in sales during the months immediately ahead. The course of activity in these prime-mover industries to a very considerable degree, however, will determine the future course of general business in this country. Consequently, they will bear constant watching over the months ahead for any signal of change.

In summary, roughly two-thirds of American industry already has been confronted with the problem of selling in postwar buyers' markets where customers once again are choosy and increasingly price conscious. Perhaps half of this group has now emerged from the worst of its adjustments difficulties and is beginning to make new forward strides once again. This rolling adjustment beneath the surface of broad national prosperity bespeaks well for the future. Moreover, to the extent that our adjustments can continue to be rolling rather than cumulative, there is less cause for concern over the nation's future economic health.

At the moment, our country is snapping back from the longest, most wasteful, and unnecessary steel strike in history. The effect of such a strike, you are all quite aware, is to lower business activity temporarily and then produce a strong resurgence in demand for materials for both immediate use as well as for rebuilding depleted working inventories. We are now in the midst of this strike-stimulated boomlet.

Inventories generally across the nation were moving down steadily well before the steel strike began early in June, and in physical terms now stand only slightly above the level prevailing when the Korean War started in mid-1950. When some allowance is made in the overall inventory totals for the raw materials, goods-in-process, and finished materials destined for military use, it seems very likely that civilian inventories are now pretty well in line with current sales requirements and generally within manageable limits. Retail unit inventories often are low by most standards, and the same can be said for many wholesale inventories. The principal remaining inventory adjustments lie in the manufacturing area. Since general business downturns are seldom, if ever, associated with periods of low working inventories, there is little reason on this score to view the business horizon with apprehension during the next few months.

In brief, business across the nation is now pretty definitely moving upward again after a summer period marked by the depressing effects of the steel strike and the spreading tendency for industrial firms to shut down operations completely for vacations. Retail trade is showing at least a good Fall seasonal pick-up. Most prices are steady, and a few are tending upward moderately. Production is now above the prestrike level of last spring and close to a new record since the start of the Korean War. Total employment stands very near the all-time high. Consumer credit has reached new record heights, and business borrowing is showing strong seasonal rising tendencies. Interest rates are edging upward. Polls checking the pulse of business indicate a faster beat and a good deal of short-run optimism compared with shades of deep gloom which pervaded business sentiment early this year. All in all, the current business situation merits a rating of "very good." But our interest goes far beyond this, and to the

Continued on page 28

*An address by Mr. Hoadley before the Annual Meeting of the National Bank Division of the American Bankers Association, held as part of the 78th Annual Convention of the ABA, Atlantic City, N. J., Sept. 29, 1952.

Let Us Extinguish the National Debt

By JOSEPH EARL PERRY*
President, Newton Savings Bank, Newton, Mass.
President of the Savings and Mortgage Division of the American Bankers Association

Mr. Perry asserts that inextricably bound-up with dollar integrity is retirement of our national debt. Offers plan for its complete liquidation over 25-year period through amortization following mortgage-reduction principle. Estimates annual payments required at between twelve and thirteen billion dollars, or only seven and one-third billion more than we are now paying in debt service.

There is something very sobering in the contrast between the harmony that pervades that part of the universe which lies beyond the control of men and the disharmony which so generally pervades the part which lies within our control. Your attention will be invited to some aspects of thrift banking as it participates in this discordant transition period between two major epochs in human affairs. But first, the customary report of the activities of this Division as based on the data supplied by our secretariat.

Joseph Earl Perry

The past year has shown an extraordinary growth in savings in this country. During the war years, the combination of full employment, high wages, and scarcity of things to buy resulted inevitably in exceptionally large savings; but in this past year, even in spite of an abundance of things to buy and high costs for the necessities of life, the rate of savings was about on a parity with the war years.

The largest dollar increase in savings was in the mutual savings banks and in the savings departments of commercial banks, where an increase of $3.8 billion for the year ending June 30, 1952, brought their combined total to $60.9 billion. As it happens, each showed an increase of 7%, the mutual savings banks increasing by $1.5 billion to a total of $21.8 billion, and the savings and thrift deposits in commercial banks by $2.4 billion to a total of $39.1 billion.

During that same 12-month period, the purchase of $3.9 billion of U. S. Treasury Savings Bonds was virtually offset by redemptions, so the net growth was less than 1%, resulting in a June 30 total of $57.7 billion outstanding.

Postal savings fared even worse, with the decline of 7.2% to a June 30 total of $2.6 billion.

In percentage of growth, the state and federally chartered building and loan associations once more led all others with an 18% growth, amounting to about $2.7 billion for a June 30 total of $17.6 billion.

Like the mutual savings banks and the savings departments of the commercial banks, the reserves against individual life insurance policies also increased 7%. In dollars this amounted to $4.1 billion for a June 30 total of about $59.5 billion.

*Address by Mr. Perry before the 78th Annual Convention of the American Bankers Association, Atlantic City, N. J., September 29, 1952.

The grand total of all savings on June 30, 1952, as represented by these primary sources, amounted to $198.3 billion. On an estimated population of 156,800,000 people, and on the census basis of 3.4 people per family, the per capita share of these liquid savings was $1,265; and the average family share was $4,300.

The Great Transition

In the long perspectives of history, our civilization has come to one of its great turning points. We are passing through what may prove to be the greatest crisis of all time. It is not a crisis of a year, or a decade, or perhaps even of a century. Already it has run half a century, and the problems thus far encountered will take many a long decade for settlement. We are truly in transition between two major epochs.

The point of a railroad switch has to move only an inch or so, but that tiny movement changes the destinies of the passengers who, all oblivious, speed along the rails. So in time of crisis, each little act may have an inconceivable potency. There are sound reasons to believe that the performance of thrift banking may hold such a potency in this most extraordinary of all historic crises, for so many of the issues of this era are grounded in economic conditions and especially in those economic deprivations which thrift could cure or ameliorate. First, then, let the thrift banker take a wider view of the world around him.

World Poverty

As the thrift banker looks beyond the bounds of his community and of his country, he is astounded by the inconceivable poverty which engulfs so much of the world. Not only is there poverty as measured by our standards; but even by the standards of the so-called have-not nations, there are millions in the last degree of utter destitution.

The shrinking of the physical world in which we live and the weakening of the barriers that have heretofore kept men apart pose unprecedented problems in human relationships. The entire human race is becoming more fluid. Just as water seeks its universal level, and as no wave can long remain above that level, so no race or country, however prosperous, can permanently escape the downward gravitational pull of a surrounding sea of poverty. In our own self-defense, we must concern ourselves with the economic plight of the rest of the world. That concern need not take the form of gifts or subsidies nor be too great a burden on our own economy.

It was my privilege this past year to serve on a committee for our State Department to study ways in which some of the economically less fortunate countries could create their own thrift institutions and meet their own financial needs without donations from this country. That study disclosed ample assurance that those countries, with only a little preliminary guidance, could go far toward relieving their own property and developing their own resources and self-respecting autonomy without external financial help.

The economic health of the entire world is vital to us. There is no sure prophylactic against world poverty. Our economic health is ultimately linked with that of all the other nations. The world leadership of thrift bankers can be invaluable to the world and at the same time can be a matter of self-preservation to our own nation.

A striking evidence of the impact of the impoverishment of the rest of the world was the catastrophic impetus which our great depression of 1930's received from the depression that engulfed all the rest of humanity. There are wise economic statesmen today who scan the foreign horizon to discern the beginnings of any depression which could again help to drag this country down.

Economic Cycles

Just as the thrift banker can get a better view of the fundamentals of his own business by looking beyond the boundaries of his immediate community, so can he also gain by taking a broader view of the sweep and interplay of forces that cause our economic rhythms. If he thinks modern research has not progressed beyond the old boom-and-bust theories, he has a pleasant awakening ahead. The same spirit of research that is transforming the entire scientific world is at work trying to trace, and measure, and predict the economic forces that cause the great and the small rhythms in business. Great as has been the progress in the science of cycles, or rhythms, it is admittedly in its infancy. The raw materials of such study are exact records over long periods of time. With every passing year, the sequences of facts are lengthening. With every forward step in the science of records, the bases are broadening. Now, with the newly developed electronic computing devices, we should be on the threshold of a great forward burst of speed in assembling and analyzing economic data, and perhaps eventually in forecasting economic events.

In this connection, some very fascinating collateral studies are throwing new, even if not yet too convincing, light on old problems. Every one knows the effect of the sun's light and heat rays on our business affairs. Daylight and dark, summer and winter, bring their daily and seasonal effects on business. But the heat and light rays are but a tiny fraction of the entire spectrum of solar radiation, so a vast amount of serious study has been devoted to the possible effect on human behavior resulting from changes in the rest of the solar radiation not seen or consciously felt by us. Thus it happens that striking parallels have been traced between the solar disturbances resulting from sunspots and atmospheric electricity and human health and activity.

For instance, a tracing of the very irregular pattern of solar radiation in several European cities was paralleled wave by wave and curve by curve by the pattern of the varying number of suicides in the same cities over the same periods. Similar parallels have been traced in the prevalence of various specific diseases. Others have sought to find a parallel between sunspots and business optimism or pessimism, aggressiveness or sluggishness, boom or bust. Still others seek to trace these effects in the form of patterns of weather. Indeed, certain cycles or patterns of weather conditions are found to recur century by century through all recorded history with striking similarities in economic and other human activities. Even a superficial observation shows that many economic relationships exist between weather and business conditions. Some of the collateral studies border on the fantastic and are not yet to be taken too seriously, but the same might have been said of the early stages of all scientific research. Similitude may yet evolve into some recognizable sequence of cause and effect. These are but glimpses of potential new science to which every thrift banker should give his encouragement.

In the last great depression, 400,000 businesses went out of business. A great part of those failures and of the widespread distress of the depression could have been lessened or avoided if we could avoided excessive optimism at the peak of the boom and unwarranted pessimism at the depth of the depression. A wider knowledge of the science of cycles could have done much to avert that excessive optimism and excessive pessimism by reminding us that the pendulum does not remain always at the top or always at the bottom and that there is an equilibrium in human affairs as well as in the forces of nature. Thrift bankers in sheer self-preservation should learn and teach all that can be known about business cycles and should promote further research in the field.

Inflation

Of even more immediate urgency to the thrift banker is the restoration of the thrift dollar. It is a statutory crime to debase or mutilate the curency. How much greater the wrong to debase the value of all savings, all life insurance, all fixed incomes, all pensions and all investments! So far as the debasing of the American dollar has been the unavoidable consequence of war, no individual culpability can be ascribed; but so far as it has been the result of immoral seeking for votes or of loose economic thinking or of callous disregard of duty, it may yet rank as the greatest crime in American history. The fight to restore the value of the dollar is not hopeless; but it will call for clear thinking, courageous action, stern self-denial long sustained. The reversal of past trends must not be too abrupt or too arbitrary. No single formual can be devised to restore the value of the American dollar; nor can we achieve that result merely by reversing all the wrong steps that have brought us to our present pass, for we must set out from a different starting point and adapt our policies to present conditions. The basic cure, however, must spring from thrift. The entire thrift industry should enlist for the duration in this battle for the integrity of our economic system. The dollar is a symbol of property, but even more it is a symbol of human rights and human integrity.

The National Debt

Closely allied to the battle to restore the integrity of our fiscal system must be the honorable retirement of our national debt. There appear to be only three main courses, or combinations of courses, which may be pursued with respect to our national debt. It may be repudiated. It may be retained permanently, wholly disregarding the principal and treating the carrying charges as a perpetually recurring addition to our governmental expenses. It may be paid off.

To any present-day group of bankers, repudiation or permanent retention of the national debt will be unthinkable as matters of deliberate fiscal policy; but each of them will be plausibly urged upon the general public with real danger of gradual acceptance by the public and perhaps even by some later generations of bankers. Possibly the greatest immediate contribution the banking fraternity can make will be to devise procedures by which the public debt can be paid off and to secure the execution of those procedures.

In approaching the problem of the national debt, it is obvious that the first step will be to stop increasing the debt. It is only sligthly less obvious that the debt is so embedded in every phase of our economy that its repayment must be gradual. Even if it were possible to repay the entire debt in a single year, it would so dislocate the financial structure of the nation as to be disastrous. Both from the point of view of our ability to pay and our ability to absorb payments, it will be necessary to move rather slowly. The determination of the wisest rate of amortization will be one of the really important decisions to be made; but it will probably be found that the rate of potential payment and of potential absorption of payment will be roughly identical, and very likely in the vicinity of about 4% a year and not far from the increase in the

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Problems of Foreign Policy and Foreign Aid

By JOSEPH M. DODGE*
President of The Detroit Bank
Past President of American Bankers Association

Mr. Dodge traces political circumstances causing our activities abroad, including large-scale public foreign aid replacing private capital investment. Warns of dangers of depleting our natural resources accompanied by inflationary export policies; of obstructing imports; of our beneficiaries' feet-dragging; and of our attempting aid beyond our means. Declares Cold War is as much an attack on our credit as is military warfare.


Joseph M. Dodge

Since the United States engaged in World War II and since the Atlantic Charter and the Four Freedoms were proclaimed to the world we have seen 12 nations and one-half of each of three others disappear behind the Iron Curtain of Soviet-controlled and directed Communism.

One of these nations — Yugoslavia — appears to have emerged. Whether this is real and permanent, only time will tell. In the meantime it remains a Communist-led dictatorship with at least an appearance of little direct control from Moscow.

Trouble and disaster have run a course that has brought over 700 million people under Soviet and Communist control, with many millions more threatened with the same fate. Any summary of what has happened, no matter how brief or superficial, presents a tragic picture. But—it is one to remember, as the record of the past casts its dark shadow over the present and the future.

Latvia, Lithuania, Estonia, Poland, Czechoslovakia, Hungary, Roumania, Bulgaria, and Albania have completely lost their independence, and so has half of Germany, Austria, and Korea. There was an early Soviet threat to Iran. There was Communist-led guerrilla warfare in Greece, followed by Communist-inspired labor troubles in Italy and France. The Soviet blockade of Berlin was met with the air lift. China and then Tibet fell to the Communists. North Korea Communists invaded South Korea with the later active military support of the Chinese, using Soviet-supplied military equipment.

There are Communist-led insurrections in Burma, Indo-China, Malaya, Indonesia, and the Philippines. There have been nationalist uprisings in Iran, Egypt, and North Africa.

Some of these aggressions were by direct Soviet action. Some were under the protective cover of Soviet satellite states. Still others appeared in the guise of nationalist uprisings in which Soviet Communist participation and support were not so publicly evident, but were rightfully suspected. And there were many lesser incidents arising from the same sources.

The Soviets have acquired nations, manpower, and resources. Whether subdued and absorbed or controlled, all are being milked of their freedoms and their substance. Should additional areas of the world fall to Soviet domination, they could include vital sources of raw materials and production capacity which will be added to Communist resources and, at the same time, denied to the Western Powers.

The Soviets do not use Russians to fight their border wars. Russia remains safe behind its curtain of satellites and broadcasts peace as it increases its military strength by denying many forms of freedom and material progress to its peoples.

The pattern should be clear to everyone. The Soviets, operating from the center in a web of international disturbance, use varying European and Asiatic Communist pressures to upset the peace of the world and, in the process, to bleed the United States and other nations.

The Fundamental Problem

The fundamental problem of foreign policy becomes one of how to counter this continuous worldwide threat and to avoid further losses without provoking a general war. To do it, we have been using our resources to build props and counter-forces within other nations against internal or direct aggression. When this did not deter the attack on Korea, we reverted to military resistance and counterattack.

The possibilities for continued trouble in the Far East, Middle East, and Europe are almost unlimited. If you realistically appraise world conditions, you will be impressed by the number and scope of the political disturbances, fiscal, trade, and economic problems. While there has been progress in some areas, there have been increasing difficulties in others, and—in some instances—these have reached ominous proportions. We seem to be living in an atmosphere of impending crises.

Governments, unsupported by a solid majority of their people, and governments of new states, lacking experience and stability, have failed to solve their most pressing domestic issues and to correct their most obvious internal weaknesses. Their failures have magnified the difficulties of their own and other nations, and of the United States. The progress of an adequate, coordinated mutual defense program in Europe has been complicated and delayed by political conflicts, unsound fiscal policies, mounting inflations, and balance of payments difficulties. In too many cases both solvency and defense have been sacrificed to the expediency of domestic politics; and unpleasant decisions, either avoided or delayed, everywhere are pressing on governments.

Meanwhile our men, our weapons, and our wealth are committed to the defense and the economic support of many areas of the world. And the final extent of these obligations is equally uncertain in both time and cost.

Make no mistake about it. The "Cold War" is a war of attrition in which we and other nations are intended to be internally weakened for any final contest into which Soviet Russia then can throw its enlarged and unused military strength. And, until that time comes, the Communists and the Soviets can continue their program of fomenting trouble and revolution in every area where weakness is at all apparent. They can do it with the certainty that some substantial part of the impact will be borne by the United States.

The incendiary fires continually breaking out and disturbing everyone's hopes for the peace and progress of the world, widespread

*An address by Mr. Dodge before 78th Annual Convention of American Bankers Association, Atlantic City, N. J., October 1, 1952.

international instability, and universal military unpreparedness have brought us an increasing doubt of our own security.

Korea helped us awaken to the fact that in most critical international situations diplomacy, unsupported by military strength and determination, has little chance of success. Inevitably other nations tend to align themselves with power and prefer to support the side they believe has the strength and determination to win. Uncertainty encourages them to want to remain neutral. This has been reflected in the effort to develop an adequate military defense in Europe and elsewhere.

Because diplomacy, unsupported by military power, has not assured either peace or security, and because the Korea War helped prove it, we are recreating our military strength—at inflation prices. We are doing this on top of a government debt not much reduced since the end of the war; and for the first time, including the period of two world wars, national, state, and local governments are taking by taxes and are disposing of about one-third of our total national income.

By any count, the sum of the problems is staggering. We are fighting a costly war in Korea. We find ourselves attempting to offset all the possibilities of Soviet Communist aggression anywhere around the perimeter of the areas which they control. We are deep in the problems and costs of rebuilding our military strength. We are assisting other nations to provide a reasonable minimum of military self-defense for themselves and supporting them with elements of our military forces. We continue giving dollar aid abroad to meet unresolved trade and financial problems, to maintain or improve standards of living, and to continue to buy more than can be paid for.

After the war most of the world looked to us for leadership and help. As a Government and as a people we approached its problems with a sense of responsibility, with high ideals, and with a generosity unequaled in history.

We have hoped that the United Nations, various plans of foreign aid, and other cooperative international projects supported by the United States would make unnecessary the more practical aspects of maintaining a world peace and defending ourselves. With our aid, economic and financial stability would soon be restored. Everyone would adopt and adhere to high principles of international conduct. The objectives, the efforts and the plans were laudable, but what has followed this conception of a new world of stability, peace, and progress?

Nations Act as in Past

Nations and people have continued to act very much as they have throughout history. The inherent complexities and conflicts of long standing national interests, the unpredictable behavior of humanity, the ingenuity of governments and peoples in following their own interests, unexpected events like the Korea War, and unforeseen circumstances have combined to frustrate our hopes and our expectations.

With only two strong powers remaining after the last war, we quickly liquidated our military strength. What has happened since has caused us to rearm, and to create and support a new system of mutual defensive alliances in Europe and in the East which, strangely enough, includes restoring some part of the military strength of both Germany and Japan.

We have attempted to help resolve the world's economic problems by sponsoring and financing programs of foreign aid of almost every conceivable kind. Actually the gross total of our foreign aid in loans and grants, from July 1, 1945, through Dec. 31, 1951, was $35.5 billion. About one-third of this was in loans and two-thirds in grants — about one-half in cash and the remainder in goods and services. We also invested $3.4 billion in the International Bank and International Monetary Fund.

After offsets — receipts and reverse grants—the net outflow of cash and of goods and services was $36.1 billion. This is the net total of United States Government assistance provided foreign economies since the end of the war. Of this total the European Recovery Program (ECA), which began in April, 1948, accounted for $11.4 billion. It is significant that the gross total of postwar aid is about 70% of the total amount of foreign aid supplied during the war period.

No one can deny that this represents foreign investment on an extremely large scale. We are not only the greatest creditor nation in the world but the world's greatest foreign investor. But you should note that this investment is not private capital investment —it is public capital investment, with its source tax funds and government appropriations. Political instability, economic uncertainty, dangers of nationalization, transfer risks, and trade and currency restrictions remain as the principal barriers to private investment in other countries.

For most of the 176 years of our national life we have been concerned principally with financing our domestic growth and expansion. Suddenly we find ourselves financing world defense and development to an extent we never thought possible and far beyond whatever has been done by private capital.

Undoubtedly these large foreign aid expenditures have produced many worth while results, and should, at the price. Great power, transportation, and facilities of production have been financed, as well as many kinds of reconstruction and public works, the raw materials of production, and many other basic economic requirements. It is evidenced in the production indices of benefiting nations; and there is no doubt that the objective of recreating production has been achieved, particularly in Europe. But, there is one notable and serious exception —vital coal production abroad is less than present needs. As a result, an unwarranted part of our aid appropriations has been used to buy and send United States coal to Europe.

No Uniformity

Unfortunately there is no uniform return to internal financial or economic stability. Gains in one area are offset by serious losses elsewhere. Wartime inflationary fiscal practices have not been abandoned and the reductions in trade and currency barriers considered necessary for universal progress have not materialized.

Despite a greatly increased volume of exports from Europe, the dollar deficit problem has not been solved, and restored production has not automatically balanced trade. After several years of improvement, the dollar gap now is growing again. Recently

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Banking Problems in Our Defense Economy

By H. FREDERICK HAGEMANN, JR.*
President of the Rockland-Atlas National Bank, Boston, Mass.

Prominent New England banker asserts that in defense economy bank management must perform four-fold job to meet its responsibilities to its customers, its officers and employees, its specific community and the nation, and the stockholders. Urges close scrutiny of loan portfolios, fostering healthy new industry in new geographical areas, increased care in soliciting new borrowing accounts, re-examine loans, and husband reserve of lending power.

Volumes could be written on this broad subject, but I shall highlight a few of the problems. I proceed with this talk, fully cognizant that the problems and solutions are different for each bank depending on size, area, capital structure, and many other factors. The term "defense economy" as I shall be speaking of it is the economic and social climate in which we have lived since some twelve years ago when we started our preparation for World War II. The period has been characterized by substantial expenditures for military purposes; by periodic deficit financing; and by increasing prices generally; or, to put it another way, by a decrease in the purchasing power of the dollar by about 50%.

H. F. Hagemann, Jr.

The economy under which we are living at some time sooner or later will have a major jolt, and we as bankers must be prepared to take the major jolts as well as the temporary setbacks we have been experiencing in recent years. The major jolt will come either when we take positive and unrelenting steps to end inflation, which means deflation; or if we fail to take those steps and go on and on inflating, we will eventually hit the stage known to economists as the crack-up boom and bust. Any policy aimed at riding the razor edge between inflation and deflation, in the light of history, will be a policy leaning toward inflation.

Our Federal Reserve Board and the Open Market Committee have shown real courage in the unpegging of governments and in the guarded expansion of Federal Reserve Bank Credit. These steps have been constructive; and although a freer market for governments requires more alertness on our part, we should back the move toward free markets not only in government bonds but in all lines.

Let's not as bankers take a shortsighted view on stopping inflation, but let's keep before us the fact that it is absolutely essential that inflation be stopped and that the deflationary effects, while irritating, inconvenient, and painful, are worthwhile in the long run. To go on inflating, as we know, is to court complete disaster.

It is in this economic and social climate that we must operate our banks. Our success as bankers and leaders in our community, state, and nation, it seems to me, depends upon our ability to cope with these conditions and still be responsive to the demands that our stimulated economy places on us.

These demands have to be met, however, within the bounds of sound banking principles. No bank can go overboard in any one direction for very long and survive. Each bank has to do a fourfold job and meet its responsibilities: (1) to its customers; (2) to its officers and employees; (3) to its specific community and the nation, and (4) to its stockholders. Regardless of the sequence, these four responsibilities, as you know, are all important. Let us never lose sight of the fact that in order to meet this fourfold responsibility successfully, banks must be strong; and in order to be strong, banks have to operate with adequate profits.

I

Problems of Serving Our Customers in a Defense Economy

In addition to meeting our customers' various banking needs generally, we, as bankers, are faced with very real problems in lending in this defense economy.

Let's start right here by agreeing that a loan to be good for the bank should be good for the customer. It is basic that the borrower and the lender have interests in common. No business relationship is lasting unless it is of mutual benefit. Factors they are both interested in are:

(1) Keeping inventories within reason and in balance.

(2) Keeping expansion plans within reasonable bounds and within the limits of sound financing.

(3) Keeping the amount of business undertaken in line with working capital.

(4) Projecting working capital requirements to see the results should the price level increase sharply, or, on the other hand, should receivables slow down markedly and should sales slough off. It is a good idea to keep thinking in the back of your mind where you and your borrowing customers would be if suddenly peace was negotiated in Korea, and if for some unknown reason it were to be decided that Russia no longer threatened our security.

(5) Seeing that products are kept competitive, costs competitive.

(6) Seeing that there is depth and ability on the second and third team as well as on the first team of the companies being financed.

Both the borrower and lender have a real interest in seeing that there is enough equity capital in the business, both for now and for the foreseeable future. Today it is popular to borrow and also beneficial taxwise. However, it is often our duty to point out the advantages, in future periods of bad times, of having less debt, and to urge in good times that financing be done with preferred or common stock.

Both banker and customer should be aware of the sharp change that can come in the current financial position of a company through an acceleration clause in a bank or insurance company term loan becoming operative due to working capital shrinkage.

You might say that all these and many more items are always to be considered, but I want to emphasize that they are more than ever important in a defense economy as previously defined.

New Industries

In addition to financing essential defense production, many of us also face the task of fostering healthy new industry in new geographical areas, that our sections may have sound economic diversification. We are often given help by government guarantees in this field as well as in defense work, but that kind of financing alone does not discharge our responsibility. Our responsibility is to provide all the assistance consist-

*An address by Mr. Hagemann before the Annual Meeting of the National Bank Division of the ABA held as part of the 78th Annual Convention of the American Bankers Association, Atlantic City, N. J., September 29, 1952.

ent with the rights of our depositors. How can we determine if we are living up to our responsibility? First, we can analyze our loan portfolios constructively. Secondly, we can analyze our rejections to isolate any unfounded prejudices and discover if we are turning our rejections over to alternative sources of funds. A loan that will not fit your portfolio may well fit mine. If we are to foster local industry, we must repay the honor of the original application. We must search every means of working out the applicant's problem in our own banks; but if that is not possible, we should assist in locating another available source of funds if such source is one that can be constructively helpful.

Loan Portfolio Analysis

It must appear self-evident that in order to meet our responsibilities to stockholders and community, as well as to our depositors, we must know what is going on in our loan portfolios. Practically all bankers, either through their supervisory agency examinations or on their own account, classify their loans in various ways, breaking their loans down by rates, account balances, maturities, total bank liabilities, type of collateral, and type of industry. It is a lot of work for your staffs to prepare this information, and it is up to top management to use the information to advantage.

In addition to all your ordinary loan precautions and procedures, if you are not already doing it, may I suggest that at least semi-annually the loan officers of the bank get together, after regular banking hours, for a complete loan review. Pull off the list and classify those loans that you consider require special care. List these loans in a special book (we call it in our bank our Red Book) and review these loans from time to time until they no longer require special attention. You know, in any bank properly serving a community, there are bound to be occasional losses. We should realize this, take them in our stride, and learn something from each case. Finally, may I suggest that while you are in this detailed review of your loans, you review your overall loan policy in all its phases. Tear it all to pieces and piece it together again. When you have finished, you will find that you will decide to change a rate here, terminate an overrisky relationship there, and possibly change the emphasis on your solicitation policy for the period ahead. These after-hour discussions are bound to bring out a lot of good ideas, and where tried, have never failed, in my experience, to bring real concrete benefits. May I suggest that you include your younger loaning officers in these after-hour reviews. I can assure you it will be mutually beneficial.

Terminating Borrowing Relationships

May I say a word about terminating borrowing relationships. First, let's be careful in soliciting new borrowing accounts to be sure we are geeting in our new accounts character, credit, and capacity; and, above all, the type of management that we feel we can work with through thick and thin. For let's not kid ourselves about the fact that when a big jolt comes, many of our 90-day notes are going to be renewed and then renewed again; and we are going to be in business with some of our borrowers. If so, we want to be sure we are dealing with good and honest management.

Second, in reviewing our loans, let's give attention to those accounts that in spite of good times have shown no progress and are just rocking along. Those are the accounts that will give us trouble when the going gets tough. If, after repeated efforts to get the cause of the poor showing corrected, management does nothing, there is no time like the present for suggesting that they look for another source of funds. Action now may avoid losses for your bank later on, and your drastic action may possibly shock the company into really getting at the bottom of its troubles before it is too late.

Reserve of Lending Power

Finally, I should like to point out that we should husband a reserve of lending power to take care of loans for essential purposes to good customers of long standing, who, through their deposit relationship and good financial position, have earned the right to expect loan accommodation. Not to be able to take care of them will be harmful to the long range objective of our respective institutions. While there is a temptation to become overloaned rather than pass up new business, and banks have in a very limited way sometimes farmed out loans to correspondent banks in excessive amounts, it is certainly unwise in my opinion to depend on such outlets as a going day-to-day policy. This, of course, does apply to the logical and constructive practice of country banks working with their city correspondents in participating loans over the country bank's legal limit. Another thing to remember is that a reserve of lending power can also be helpful in getting new desirable business when your competitors are loaned up.

II

Problems of Personnel

We all know of the problems we face with personnel. Our earning capacities simply do not permit us to compete salarywise with defense industries. But we have good personnel; and we have, in my opinion, the finest quality people of any profession. So we must have something to offer that means more to certain kinds of people than a few extra dollars. The appeal of bank jobs is not hard to isolate. We offer, or can offer, reasonable wages; steady employment; collective benefits; job interest; job comfort; and above all, the recognition of individuality. On the basis of steady employment, job interest, comfort, and individuality, we have it all over industry. Frankly, I think we must emphasize these features to their full advantage.

One of our problems is, of course, that we are service institutions and as such require a rather high type of personnel. Furthermore, high turnover noticeably damages the efficiency of our service, and is costly.

Wages

Our first problem is quite clearly wages. While we can't compete with defense industry, we can compete with nondefense industries by job classification, as a rule; and this we should try to do. We should from time to time review our salaries in relation to the job classification figures of the Bureau of Labor Statistics. All

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Dollar and Political Integrity

By HON. A. WILLIS ROBERTSON*
United States Senator, Virginia

Reminding bankers that currency honesty is measured by integrity of government, and hence of citizens who elect it, Senator Robertson commends bankers for their public spiritedness, exemplified by voluntary credit restriction program. Calls on government to function as referee rather than dominator over and squelcher of capitalism.

The greatest honor that has ever come to me was my election in the fall of 1946 as successor to Carter Glass in the United States Senate, and I have deemed it an especial privilege to be permitted to follow in his footsteps as a member of the Senate Banking and Currency and Appropriations Committees.

A. W. Robertson

My boyhood was spent in Carter Glass' home town of Lynchburg, Virginia, where I attended the public schools headed by the Senator's brother, Edward Glass. Later, at Richmond College, I came under the influence of a great history teacher who had studied history with Woodrow Wilson at Johns Hopkins and who delighted in teaching his students Wilson's political philosophy. This led me to successfully seek election as a Woodrow Wilson delegate to the Virginia State Convention of 1912; and that, in turn, commenced for me an active participation in both practical politics and the science of government, which has been the dominating influence of my life.

I first became acquainted with local taxation and budgetmaking problems as legal adviser to our County Board of Supervisors. In the Virginia State Senate, I served for six years on the committee which handles taxes and appropriations. In the United States House of Representatives, I served for ten years on the Ways and Means Committee, which handles taxes and tariff problems; and when I entered the Senate, shortly after the end of World War II, I was in emphatic agreement with the views on government finance which had been expressed by Carter Glass after World War I.

Warning by Carter Glass

Some of you will no doubt recall the report as Secretary of the Treasury in which Glass told the Congress: "All sense of values seems to have departed from among us. The departments, bureaus, and boards, all inspired by a laudable enthusiasm for their work, but some by a less laudable instinct to magnify its importance, bombard the committees of Congress with projects, some more or less meritorious, some of no merit whatever, but all conceived in sublime indifference to the facts that the great business of government is being run at a loss and that each one of these projects increases the deficit of the government and consequently the burden thrown upon the great body of the people, whether the deficit be met by increasing taxes or by floating additional loans.

"For no fallacy is more grotesque than the assumption that by issuing bonds or notes or certificates of indebtedness now we may pass on to future generations the burden of our own extravagance. The burden of these issues will have to be met today, not only in the interest and sinking fund charges added to an already heavy load, but in the expansion of credit which is inevitable as a result of the issue of such securities, constituting as they do a prime basis for additional credit in the hands of the holders, whoever they may be. I shall not elaborate upon that point," Glass said, "but I want to say to you in all solemnity that a hundred million American people will pay for the extravagance of the government, whether that extravagance finds its incidence in governmental waste or in the desire to accomplish real or fancied benefits for a portion of the community."

This was, of course, merely an elaboration of the plank which Glass wrote for the National Democratic Party Platform of 1920 which stated: "The . . . high cost of living can only be remedied by increased production, strict government economy, and a relentless pursuit of those who take advantage of postwar conditions."

It reflected, however, the principles of Thomas Jefferson, who, in his first inaugural address, called for "a government rigorously frugal and simple, applying all the possible savings of the public revenue to the discharge of the national debt; and not the multiplication of officers and salaries merely to make partisans, and for increasing by every device the public debt, on the principle of its being a public blessing."

Dependent on Government Integrity

It is adherence to those principles of Jefferson, of Wilson, and of Carter Glass that shapes the comments I shall make to you on the subject of "Dollar Integrity." I need hardly remind you, as bankers, that the integrity of the currency of any nation is measured by the integrity of the government which stands behind it ($24 of the $29 billion of currency now in circulation being Federal Reserve notes); and the integrity of the government in a democracy is dependent in turn upon the qualities of the individuals who compose it and the citizens who select them.

We urgently need today the kind of integrity illustrated by Carter Glass when, five years after he had made one of the greatest speeches of his career advocating the election of Franklin D. Roosevelt, he spoke out with equal emphasis against the President's plan to reorganize the Supreme Court. No narrow partisanship, no misplaced loyalty to individuals or to groups can be allowed to stand in the way of our duty to preserve the integrity of the constitutional democracy which is our American heritage.

In this connection, it may be appropriate to consider that the word "integrity" is derived from the negative form of the Latin verb "tangere"—to touch. In other words, the integrity of our democracy and the integrity of our dollar may best be preserved if they are untouched by bureaucratic scheming and manipulations.

In its September Survey, The Guaranty Trust Company of New York mentions the following factors as having built inflation into our economy and thereby impinged upon the integrity of the dollar: "(1) the cost of government, (2) 'compensatory' fiscal policy, (3) the full-employment commitment, (4) the easy-money bias, (5) labor policy, and (6) farm policy." These, the bank said, "are long term forces that will not cease with the rearmament effort or with direct price and wage controls. They must be adequately dealt with before the future of the dollar can be regarded with reasonable assurance."

I am aware, of course, that in our complex modern economy the old idea of complete *laissez faire* will not work. There are certain functions the central government must perform, as was recognized in the banking field when we set up the Federal Reserve System. But, as Woodrow Wilson pointed out in his message to the Congress, the objective was to give the business men of the country "a banking and currency system by means of which they can make use of the freedom of enterprise and of individual initiative. . . ."

Government Should Exercise Referee Role

There is a vast difference between a government which serves as referee in preserving the balance of power among the various elements of our society while encouraging individual initiative and one which dominates and eventually would quench the vital spark which characterizes American capitalism. To quote Wilson again: "The history of liberty is a history of limitations of government power, not the increase of it."

In the early fall of 1949, I visited fourteen countries of Europe; and last month, I revisited six of these countries and one other. No European traveler with any knowledge of currency can fail to be impressed, as I was, with the lack of confidence in every nation in Europe except Switzerland in the fundamental integrity of their national currency. The lack is so great that it is generally believed the nationals of these European governments have hidden some $6 billion value of gold and precious metals in which the people still have confidence.

Many of them would prefer dollars to their own currency, but our complacency may be shaken by the fact that the international money changers now prize the currencies of two relatively small countries — Canada and Switzerland—above ours.

It gives me pleasure, however, to be able to commend the contribution of American bankers to our dollar integrity. You have developed a unique system of thousands of independent banks operated by competent, self-reliant men who have a conception of public obligation controlling their personal ambitions. Your spirit was well illustrated during the past year by the voluntary credit restriction campaign which depended upon the mutual good faith of bankers in not attempting to squeeze dollar profits out of a national emergency and which did much to take the edge off of the inflation threat.

The architects of the Federal Reserve System recognized the importance of keeping it regionalized and democratic. They preserved the dual system of state and national banks, and they set up the governing board on a basis designed to protect it from public or private partisan influences.

Operating within this framework, we have been able to maintain an elastic currency system responsive to the needs of commerce and industry. The banking reserves of the country are fluid and mobilized to meet unusual credit demands. We have adequate facilities for discounting commercial paper to maintain liquidity of the banks, and soundly organized and readily available banking services are to be found in every part of the country.

Last year, the American Bankers Association recognized the importance of the Federal Reserve System by passing a resolution

*Address by Senator Robertson before the First General Session of the 78th Annual Convention of the American Bankers Association, Atlantic City, Sept. 30, 1952.

asserting that it was essential that the freedom and integrity of the system should be preserved. Last month, the Federal Reserve Board demonstrated its independence by withholding its support from Treasury financing operations and allowing the interest rate on one-year certificates to advance from 1⅞% to 2%—the highest in nearly 20 years.

We all recognize the serious problem faced by the Treasury in managing the huge wartime debt, which reached a peak of $280 billion in 1946 and which has an almost unlimited capacity for promoting inflation. It is encouraging to know, however, that the debt has been reduced nearly $11 billion in the last six years, despite the impact of the Korean War. By stressing the purchase of Savings Bonds, the more inflationary securities held by banks have been reduced $24 billion.

Recent developments, including the permitted rise in interest rates, indicate that the accord reached last year between the Federal Reserve and the Treasury is working and that money market operations are returning closer to the pattern envisaged by the founders of the Federal Reserve System.

Status of FDIC

Another encouraging factor in considering the integrity of the dollar is the status of the Federal Deposit Insurance Corporation, which has returned to the government its initial investment plus interest and now has a surplus of approximately $1,300,000,000. Aside from the actual protection which this insurance system provides in preventing bank failures, it has been of immense value in preventing public hysteria, which was a primary cause of bank failures and economic disturbances in the past.

I have been somewhat concerned over the rapid expansion of real estate mortgage credit which rose from an outstanding total of $20 billion in 1945 to more than $54 billion this year, and I was opposed to the provision written into the Defense Production Act which requires suspension of credit controls if new housing construction fails below a rate of 1,200,000 units a year for three consecutive months, the highest rate in our history. I was encouraged to learn recently, however, that in the first seven months of this year, outstanding advances of Federal Home Loan Banks to their member institutions have declined 18% and that the outstanding notes of the Federal Home Loan Banks decreased 50%, with the result that the outstanding advances of this bank system to its members now represents only 3.3% of their assets.

Under these circumstances, the tightened money market may provide all the restraint that is needed to prevent further unwarranted inflation of real estate values and a topheavy mortgage situation which might become dangerous when the tide of inflation turns, as some day it will. Edmund Burke said that nations do not learn by experience, but I am sure our bankers learned something about the danger of inflated real estate loans following the stock market crash of October 1929.

Looking at the broader field of federal spending and its influence on the integrity of the dollar, there are both encouraging and discouraging angles. The latest estimates of budget receipts and expenditures indicate that despite the largest tax collections in the country's history, there will be a $10 billion deficit at the end of fiscal 1953. On the other hand, the budget as approved by the Congress was cut $8 billion, or approximately 10% below the President's recommendations.

The fact remains, however, as recently pointed out by the First National Bank of Boston, that exclusive of state and local taxes, the tax take of the Federal Government in the current fiscal year will equal the estimated income payments to all people west of the Mississippi River and in addition all income payments to the inhabitants of the state of Mississippi and 55% of those of Alabama. Spending promises of both candidates for the presidency for farm price supports, more public power and irrigation dams, and bigger and better pensions discourage those of us in the Congress who believe that the tidal drift toward big government and the centralization of power must be stopped.

Cuts Disappointing

I realize that the cuts we made in the budget estimates this year, which still left a deficit, are disappointing to those who believed it should be possible to make cuts of sufficient size to balance the national budget. I can assure you, however, that the task becomes much more complicated when you sit on the Senate Appropriations Committee and consider the problem item by item.

We made a conscientious effort, in our Committee, to reduce spending; and that is encouraging because I believe it indicates a trend toward economy that will gain force in succeeding years. A journey of a thousand miles, says an old Chinese proverb, is commenced with one step. You know, however, that the biggest item in the budget is for military spending, while other big items are fixed obligations, such as interest on the debt and veterans' pensions which we are morally obligated not to touch. Others involve payments for programs which have legislative authorization and which cannot be stopped until the authorizations are withdrawn or modified.

For example, I recently told a group of farmers that I disapproved of the extension of the rigid 90% parity support prices, a program that will be costly to the taxpayers and in the long run against the best interests of our farmers. But so long as parity supports are provided, the Congress is morally obligated to appropriate funds required to meet the promised subsidy payments; and I would not feel justified in cutting these funds.

While every effort must be made to eliminate waste in defense spending, we must be cautious in cutting that item while the threat of world domination by the communists remains acute. You and I value our freedom too much to put a price tag on its preservation. However, we can improve the efficiency of procurement and other aspects of our military system; and by looking ahead and planning strategically to put our forces where they will be most effective, we can reduce our overall needs. We also can say to our valued European allies: "Don't ride our backs when you are able to walk." But, especially in view of the uncertainty I felt during my recent visit to Europe as to how much help we can count on in an emergency from our allies there, I do not believe the time has come when we can reduce our national spending, as some have advocated, to anything approaching pre-World War II levels.

I can assure you of my sincere purpose, as a member of the Senate, to do my best in behalf of a sound dollar by making each tax dollar go as far as possible in running our government and by preserving in that government the fundamental American system of free, competitive enterprise which has made us the greatest industrial nation on the face of the earth. I am sure that the members of the American Bankers Association are equally dedicated to the task of preserving constitutional liberty, which is a compound of economic opportunity and political freedom.

Our joint task is to communicate this sense of responsibility to all those with whom we come in contact, especially those who may not realize the necessity of a continuing struggle to preserve our heritage.

I was much impressed by an address given in Washington last June by a member of your profession—the Honorable Winthrop W. Aldrich—in which he commented on the American Constitution and expressed wonder that a few men scattered from Massachusetts to South Carolina, most of them with little formal education and few precedents to guide them, were able to produce a fabric of government based upon the conception of the sanctity of individual freedom which was so ideally suited to defend and preserve that freedom for themselves and their descendants.

Mr. Aldrich suggested that the answer was to be found in the experience which these men and their forebears had upon this continent. Finding themselves 3,000 miles away from any strong central government, they faced a combination of necessity and opportunity. They were unable to depend too much upon the state or any of its creations and were forced to depend upon themselves.

Mr. Aldrich then summarized what I am trying to say to you by stating: "Any man who has to depend entirely upon himself will automatically endeavor to accumulate something to protect himself and his children against the vicissitudes of the future; and as soon as he does this, whether he has acquired lands, houses, goods, tools, or money with which to buy such things, he becomes a capitalist; and when a man has become a capitalist, he has acquired not only property but the sturdy self-reliance which will enable him to value his liberty and defend it against every threat from any quarter."

You bankers are in a very real sense custodians of American capitalism, the by-product of political and economic freedom. It is of a substance more precious than anything which your customers keep in their safe deposit boxes. I urge you to guard it well, while encouraging your depositors as well as those elected to represent you in all governing bodies to make a living reality of the motto inscribed upon our coins: "In God We Trust."

J. E. Hart Joins A. G. Edwards in NYC

J. Eugene Hart has joined A. G. Edwards & Sons, members of the New York Stock Exchange and other leading stock and commodity exchanges. Mr. Hart will be in charge of the commodity department in the firm's New York office, 501 Lexington Avenue.

A. G. Edwards & Sons also has offices in St. Louis and Clayton, Mo.; Springfield, Ill.; and Houston, Texas.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Fred Peecher is now with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

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The Year Ahead of Us

question—how long will it stay this way?

The Principal Economic Forces Operating in the Year Ahead

Any one who watches business trends these days knows how closely economic movements are linked with political and psychological developments. With good reason, some of the early writers referred to this complex field of study as "political economy," a useful expression seldom found today except in fairly technical literature.

I believe that it is both necessary and profitable in appraising business prospects for the year ahead to draw attention to certain basic economic forces likely to be operating on the one hand, and to some probable political developments and changes in public attitudes on the other. For in my view, the course of general business in the months just ahead will be marked to an unusual degree by some divergent tendencies in these areas.

Let's consider first some of the more strictly economic forces which will be influencing business prospects for the year ahead. These will include: (1) population and family formation; (2) industrial capacity and capital expenditures for plant and equipment; (3) inventories; (4) the fiscal position of government; (5) consumer incomes and spending, and (6) the balance of foreign trade.

On all sides, we encounter manifestations and discussions of the great upsurge in population which has occurred in this country since 1940. This nation now has about 25 million more people than before World War II, largely because of several years of record births. The future growth of the United States seems assured as these youngsters reach maturity, bringing with them the boundless needs and desires of a new generation. But, in our enthusiasm over the longer run prospects for expanding markets in this country, we must not overlook the current decline in numbers of marriages and in new families being formed—the direct result of the abnormally low birthrate of the depression 20 years ago. Over the next few years, the nation faces the almost inevitable prospect that fewer new households will be established. This means reduced demands for the products of many lines of business—e. g., homebuilding, furnishings, appliances, and related items—which have benefited immeasurably during recent postwar years of record numbers of family formations. In short, here is one important economic force which points DOWN during the year ahead.

The Korean War has given great impetus to further tremendous expansion of the productive capacity of this nation for both "guns" and "butter." Since mid-1950, the ability of American industry to produce increased about 15%; and since 1939, the industrial facilities of the country have more than doubled. In 1952, roughly $27 billion will be spent for plant and equipment across business, but it is becoming increasingly clear that the peak in such outlays is close at hand. High rates of machine usage, rapid obsolescence, incessant needs to reduce costs by cheaper manufacturing processes, increased competition, and mounting depreciation allowances will cushion the decline in capital investment. But here is another major economic force which promises to be heading DOWN during the year ahead.

The recent experience of many industries with severe inventory liquidation, plus the skepticism of financial executives—such as you people today—toward larger inventory investment should prevent any appreciable increase in stockpiling of goods in coming months for other than seasonal purposes. There is a distinct possibility that some manufacturers' own inventories will be reduced further this Fall and Winter. In agriculture, accumulated crops in storage are not particularly burdensome at present, but another year of near record production could create some new farm crises. Inventory change as a basic economic force affecting business prospects in the year ahead probably can best be considered NEUTRAL.

As we are all well aware, rising government expenditures for defense currently provide one of the principal forces supporting our national economy. Many people tended to **over**estimate the magnitude of actual defense expenditures back in 1950 and 1951 because they failed to distinguish properly between gigantic appropriations and the actual payments for delivered goods. Some individuals are now making a similar mistake by **under**estimating the economic force of defense expenditures when shipments are mounting from vastly expanded lines of production. The general expectation, based largely upon official pronouncements, is that defense expenditures will level off in 1953. This economic force, consequently, is commonly expected to be NEUTRAL in supporting general business at some time during the year ahead.

But it's shortsighted to consider only the expenditure side of the government's fiscal activity. As we all know very well, Uncle Sam collects money, too. Operation of the so-called Mills Plan by which corporate tax payments are steadily being accelerated into the first half of each year now has the effect of producing a new "seasonal" pattern for U. S. business. This comes about in the form of a substantial Treasury **surplus** in the first half of each year and a **deficit** in the second half. More specifically, business this fall and early winter will be bolstered by the outpouring of more money from the Treasury than it receives, whereas the reverse situation almost inevitably will be true next Spring. The business community will be fortunate to escape some acute financial stringencies next March and June, when corporations will be making two 40% tax payments—a total of 80% of their 1952 tax liabilities to be paid before mid-year. Substantial inventory liquidation produced the funds to make the two required 35% payments this year, but no such convenient source of tax money is likely to be at hand early in 1953. On balance, the net economic force of government spending versus receipts over the year ahead can thus be seen to be moderately inflationary over the next few months, and then temporarily deflationary.

Over the past year, the average family in the United States has experienced no real increase in spending power. Larger dollar incomes have been offset by the rise in the cost of living. Moreover, the spending spree of the American public during the early days of the Korean War reduced many personal liquid savings and expanded consumer debt. Subsequent efforts to rebuild savings and meet payment schedules also have tempered consumer spending. In addition, the Korean War has taught the American people not to take official predictions of "shortages" at their face value. At the moment, the most urgent consumer demands have been pretty well met.

The wave of strikes which has disrupted industrial production and employment in recent months has been followed by another round of wage increases, which has not yet ended. With consumers buying in a fairly normal fashion, income once again becomes the key determinant of what the public will spend. Since the immediate outlook is for some increase in income, the economic force of consumer spending can be expected to LIFT business slightly in coming months.

Foreign trade is a subject in which most Americans have little interest. Exports actually account for only about 5% of total United States business, but how much we ship overseas and receive from abroad has considerable economic significance. The so-called "dollar shortage" in many parts of the world is evidence that we are importing too little. Because nations abroad do not have sufficient dollars to buy many U. S. goods, they have necessarily embarked upon programs of import limitations which already have restricted wide market areas for American products. There appears to be little reason to foresee any marked improvement in this situation, so that as an economic force, net foreign trade on private account (i.e., aside from government aid to other nations) can be expected to be DOWN further in the year ahead.

This brief review of six important economic influences upon business prospects over the year ahead reveals at least three which are expected to have a down trend beginning next year, two others which appear likely to follow a fairly neutral course, and only one with moderately upward tendencies. On economic grounds, therefore, the conclusion seems rather clear that we can expect general business to improve slightly over the remainder of 1952 and into 1953, but also that some weakness will appear later in the year, particularly in the heavy goods lines, with some depressing effects upon prices. This precise view, interestingly enough, now appears to be the most commonly held forecast among business analysts across the country.

Political-Psychological Factors

Can we be entirely satisfied with this appraisal of business prospects based primarily upon consideration of the economic factors expected to be at work? I think not. It seems very probable that political developments at home and abroad will intervene to change the actual course of business somewhat from the pattern just established. In general, I would expect business on the average to hold up longer than the strictly economic forecast would suggest. My reasoning is essentially that I believe the defense program will be at least sustained, if not increased, for a much longer period than now popularly assumed, and that shifts in public attitudes toward government policies on balance will produce changes tending to support general business. Let me be more specific.

A national election in this country has the very salutary effect of getting more people interested, if for only a few months, in political and economic questions. This year because of the stature of the candidates for the two major parties as well as the widespread use of television in the campaign, such interest seems to be rising to a new pitch. Registrations for voting in November have established new records in many parts of the nation. Television, I might add, not only puts the candidates literally in a nationwide goldfish bowl but in so doing requires of them more variety in their political presentations than in former Presidential years. Because of these circumstances, I find it hard to accept the frequently heard view that the coming election will really have no important influence upon business prospects in the year ahead. In the next few weeks, I believe the American public will **crystallize** its views and rather forcefully make its wishes known on several policy questions of considerable importance to **business prospects** during the year ahead.

First, almost certainly there will be greater insistence on getting more "value received" for the tax dollars now being spent at home and abroad. Heavy government outlays, it is widely conceded, have resulted in only limited progress toward placing our Allies on an economically self-sufficient basis, and have produced little enduring goodwill for us among the recipients of our foreign aid. Moreover, our defenses, according to official statements, are still woefully weak both in this country and in other parts of the world which we have agreed to help defend.

Tax Cuts Ahead

Second, the current unrest over the heavy tax burden on both individuals and businesses, in my view, is likely to lead to some modification of the present tax laws in the not too distant future. In this connection, I suspect that the Presidential candidates will find the campaign period to be so extended that to maintain public interest in its closing days, promises will flow freely on all sides. If such is the case, the public appetite for a tax cut will be whetted all the more; and some potentially fruitful seeds will be planted for Congressional action on taxes next year, even though strictly budget considerations might seem to rule out any such eventuality. In any event, Congress cannot escape facing the tax question early next year since the excess profits tax expires on June 30, 1953. Any move to modify the excess profits tax is very likely to be linked inseparably with similar action adjusting personal income taxes as well.

Third, growing grassroots demands for relief from the uncertainties of international tension, and specifically for some honorable "settlement" of the Korean War, as revealed in polls of public sentiment, raise doubt that the international *status quo* will prevail throughout the coming year. What the actual outcome will be is certainly not clear to me. But I am convinced that it would be a serious mistake for us not to expect some new developments along these lines in the months ahead.

Fourth, there is a widely expressed desire across the country for removal of the ever-present threat to national economic life

from crippling industrial disputes. This attitude can be expected to bring forth some new public policy in the year ahead, aimed at promoting greater stability in employment and general business through fewer national work stoppage emergencies.

Deflation Leading to Increased Inflation

Fifth, after more than a decade of full employment, many people have come to expect that boom conditions will continue indefinitely. A new generation, in fact, has grown to maturity knowing only highly prosperous times. While every one is in general agreement with the objective of maintaining high employment and income, a growing attitude that there must never be any let-up in economic activity has far-reaching implications narrowing the freedom of executive and Congressional action on economic policy matters. Because of the tremendous potential, if not actual, power of public sentiment on this point, a little deflation—perhaps as indicated for some time next year by the outlook for several key economic forces—may prove to be an important contributory cause of more inflation.

How all these changes actually will work out will depend, of course, to a considerable degree upon which Administration comes into office in January. That should be easier to predict on Nov. 5.

Thus far, we have limited our appraisal of probable political and psychological change in this country to matters largely associated with domestic affairs. Developments abroad, of course, also influence public opinion, and cannot be overlooked in judging business prospects for the year ahead. Recent press reports from Europe indicate a good deal of unrest over continued "austerity" measures accentuated by the burden of rearmament, despite all the aid being extended by this country. Numerous observers concede the possibility of another political shift to the Left in Britain within the coming year. This could easily mean a scaling down of the British defense program. Further evidence of the inability or unwillingness of Allied nations in Europe to meet their defense commitments almost certainly will raise questions here as to the effectiveness or wisdom of our continuing to provide substantial military and economic aid abroad, at least on present terms. Obviously, this is another political area which will bear continuous watching. United States foreign policy will come under careful review in the year ahead, with important repercussions for banking and general business to the extent that changes are made.

Russian Changes

As you no doubt are all well aware, in recent weeks the Russians have been making headlines with several important policy-level changes of their own. Ambassadors to several major capitals have been reshuffled. An important mission to Moscow from Red China has been completed. A new Five-Year Plan has been announced. And a new Party Congress has been called for an early date. In the past, such developments often have foreshadowed shifts in Kremlin strategy and tactics toward the rest of the world. Whether these latest moves foreshadow more peace or more war, no one, of course, can really say outside of the Kremlin itself. But again, we have further evidence of changes coming in the international political front in the year ahead.

Personally I am inclined to believe that the net effect of all these political and psychological developments at home and abroad will tend to sustain, if not increase, our defense program for a much longer period than is now commonly believed. If we ask ourselves the question, will the Russians be tapering off their defense program next year, I expect most of us would answer "no." This is a shocking realization that the world once again is engaged in an arms race. As reluctant participants, we Americans nevertheless must lay our plans accordingly.

This afternoon I've tried to evaluate in a forthright fashion both the possibilities and my judgment of the prospects for the year ahead. I've said I visualize a number of potential economic weaknesses in the year ahead which can be expected to create disturbances in scattered markets across the country, but also that I believe the stage is being set for a number of far reaching political and psychological changes in this country which will have the effect of injecting new, albeit artificial, strength once again into the general business situation. Obviously I have no foolproof crystal ball. There is one certainty about forecasting, however; and that is if the forecaster lives long enough, both he and his audience will find out what actually does happen.

The coming year will continue to challenge the best that is in all of us. But we can face the future with real confidence because of the demonstrated ability of our American system to meet any crisis. In the working of our democratic processes lies the bulwark of our national strength. How the people feel is still the controlling force in our economic and political life. We can expect to grow and prosper only so long as this condition continues to hold. In the weeks just ahead, the American people once again will make their desires known. Our future course will be charted accordingly.

In closing, let me finish the story which I told at the outset about the wobbling stranger who was last seen staggering in the distance from tree to tree. Because I thought I might be helpful to this man in his hour of potential need, I followed him. At one point, he actually dropped to one knee; but despite my fears, he never collapsed. In the end, he got home safely. I have a feeling that American business may wobble a bit over the year ahead. Perhaps some time later it may even get down on one knee. But I am confident that we will be as successful as my wobbling stranger, and avoid collapse.

Teddlie Opens Office

WACO, Tex.—George K. Teddlie has opened offices at 2508 Washington Avenue to conduct a securities business.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The demand for funds and tight money continues to keep the Government market on the uncertain side. To be sure, the higher income obligations have moved up from the new lows that were recently made, but this is not believed to be more than a rebound from an oversold and too sharply quoted market. Volume has increased slightly but even so the market is still a very thin affair and one that can be rather easily manipulated in either direction. Rumors have been very prevalent in the market, but there are no indications that official support has been used to stabilize or keep it orderly.

The shorter-term issues continue to get the bulk of the attention because there is no let down yet in the desire for liquidity. The tax anticipation bills went well, as was expected, but the yield on the 161-day maturity bore a much closer relationship to the 91-day maturity than was the case in the past. Tax swopping, it seems, has brought about a minor increase in volume and activity, because quite a few institutions have been able to effect these exchanges at prices they consider favorable.

Bearishness Still Prevails

Although some of the bearishness towards the Government market seems to have receded a bit, it does not seem as though any important change in this general attitude is to be expected in the near future. The ability of the intermediate and longer term issues to rally after selling at new all-time lows, in some instances, gave minor encouragement to a very gloomy market. The combination of a small amount of buying, and some short covering by traders, enabled the market to get off its back. This performance, however, in the opinion of not a few money market followers is a natural technical development, but it is not likely to indicate any immediate change in the general trend. This does not, however, preclude the possibility that a bottom might be in the process of being made by the backing and filling method, which has been the case in the past.

The belief that the money market still has other hurdles to get over is the reason for the skepticism that is around. Probably one of the most prominent forces working against a settlement in prices of Government securities, especially in the longer term obligation, is the question as to what will happen to the prime bank rate. Will it go up to 3¼% or will it be held at the current level of 3%? There appears to be considerable opinion on both sides of this one, but until the answer is known it does not seem as though the long Governments are going to do much more than back and fill with a defensive tone expected to be in evidence.

Speculation on Prime Bank Rate

With the uncertainty of the prime rate overhanging the market, there is a definite lack of buyers in the higher income Treasury obligations. This results in a thin market that can be run up or down very readily, depending upon what the traders want to do with it and what they desire to accomplish by such an operation. A very professional market of this kind is not conducive to the permanent type of buying that is necessary in order to sustain a price trend.

Housing Bonds vs. Governments

The high yield carried on the recent tax exempt Housing bonds has not been a favorable factor as far as the longer term Governments are concerned. Some looked upon this as an indication that the general trend in money rates was still headed higher, because why should these tax exempt bonds be offered now at this high rate if there were possibilities of them being sold at a later date at lower interest rates? The answer to this one seems to be that the money had to be raised now because it was needed immediately. This was another case in which there was only Hobson's choice. The high yield at which the Housing bonds were sold at not only took buyers out of the long Governments but also brought about sales of these bonds in order to get funds that were reinvested in the tax exempt issue.

The Political Factor

It seems as though politics is now knocking at the door of the money markets, because one hears reports that buyers are not inclined to make commitments in the higher income Governments until they know the outcome of the election. For what it might be worth, the story is going around that if there should be a change in Administration in Washington, the new Secretary of the Treasury would offer a long-term 3% obligation for refunding and conversion purposes. Also the higher rate would aid, it is said, in getting bonds in hands of ultimate investors.

Yield on Tax Bills

The tax anticipation bills received considerable attention although there did not seem to be the same passionate desire around for them that there was about this time a year ago. There was greater sanity and more calm and cool calculating done over this one so that the yield of 1.72% was much more in line with the 91-day obligations than was the case when they were made available before. It seems as though the differential between the new tax bills and the regular Treasury bills of about four basis points was in line with expectations.

Cites Failure of Monetary Fund

October "Monthly Bank Letter" of the National City Bank of New York says its basic difficulty stems from a misconception of what the postwar world would be.

Commenting on the recent report of the International Monetary Fund, which reveals "a melancholy fact" that seven years after the end of the war international payments are still far from attaining a state of balance so that exchange difficulties and exchange restrictions are still the order of the day, the October issue of the "Monthly Bank Letter," publication of the National City Bank of New York, finds this Bretton Woods institution "an overambitious project," one that "shoots at the moon to rid the world of fetters on trade."

"The basic difficulty of the Fund," states the "Monthly Bank Letter," "stems from misconceptions at Bretton Woods of what the postwar world would look like. Even apart form the unexpected tensions between East and West, it was an unnecessarily ambitious aim to have all currencies, world-wide, linked together in fixed ratios and freely interconvertible at such rates. As history prior to the rise of Hitler shows, thriving international commerce does not demand universalized fixed rates of exchange; it demands reasonable stability of key currencies, a universal freedom to hold and use these currencies in international trade settlements, restraint in the application of import and export duties, and in general a recognition of the mutual benefits that flow from international trade.

"The Fund was rushed through during the war as a once-in-a-lifetime opportunity to shoot for the moon and rid the world of fetters on trade. Many nations undertook the obligations but their fulfillment was never within practical reach. The ink on the Fund's charter was hardly dry before it was recognized that recovering the solvency of the pound sterling, so vital in world trade, was prerequisite to any kind of normal functioning of the world economy. A succession of extraordinary measures have been taken toward this end, beginning with a $3¾ billion loan by the United States Government, and including one major revaluation of the pound, but the objective still eludes solution. Prime Ministers from the British Commonwealth, gathering next month in London, may consider a fresh attempt. The Fund presumably will be ready to offer resources to support any solution that offers promise of success. It is becoming increasingly recognized within the Commonwealth that the survival of London as a world financial center depends upon finding a workable solution."

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Problems of Foreign Policy And Foreign Aid

world trade and currency restrictions have been increasing as a result of mounting balance of payments problems, coming from the price decline in primary commodities in the past year, the turn from a sellers' to a buyers' market, and growing defense expenditures. Everywhere we see evidence that the same fundamental disequilibriums continue to exist.

However, it is encouraging to note that at last some nations are beginning to realize that more stringent domestic measures must be taken to recapture internal stability; that internal stability is essential to a healthy balance of payments position; and that it is the failure to apply these policies and the absence of internal stability which make inevitable a permanent structure of trade and currency controls.

So far I have attempted to summarize events and conditions for a definite purpose. This purpose is not to criticize or to debate any of the circumstances attending their creation, their progress, or their present status. What has been done was part of an effort by the United States to link together peace, freedom, and progress. Any nation can go to war, but no other nation ever has tried to do this. In any event we have embarked on a program that probably will be difficult to change or modify.

I propose an entirely different emphasis. It is that you can not consider with any sense of complacency the present state of world affairs. You can not ignore or shove it aside as a matter of little concern to you, to your business, or to the future of yourselves, your children, and the nation.

Overshadowing everything else is the fact that the entire balance of international relationships has been upset by war and subsequent events. There has been a tremendous loss of physical wealth accompanied by an immeasurable political and economic dislocation. Once powerful nations are no longer powerful—others have been broken up or absorbed. Governments have changed their form. Large segments of population have been moved about. Newly created nations are struggling with the strains and pains of birth and development. And, out of this malestrom, only two great world powers remain—with completely opposed philosophies of life. One of them is the United States and the other Soviet Russia, with its declared program of world revolution.

The fundamental question is whether the future of the world gradually is to be hewn into the form of the totalitarian state, dominated and controlled by the Soviet Communists; or is to be led into the path of freedom and human dignity by the United States.

We did not seek this leadership and it is contrary to the original conception of our national destiny, but we can not escape the fact that most of the hopes of the remaining free world rest on us. Whether we like it or not, we have the problem and much depends on what we do with it.

Obviously we have not been ready to play the part history has written into our script. We have lacked experience and have been buying it at a tremendous rate and at a high cost. What we are doing and will have to do is not the kind of thing at which we have developed our greatest skill. Past international excursions have been a sideline and an unfortunate disturbance of our normal habits of living and domestic progress—something to be done and left behind as quickly as possible.

Today the United States is the prime mover in the economy of the free world. It is the principal supplier both of products, which are badly needed by many other countries, and of the dollars required to pay for them. Everything we do has a tremendous impact on the rest of the world, and its explosions and difficulties directly affect our daily lives.

As you well know, the world has been shrinking. The waves of influence become stronger and move faster. The world will not suddenly grow larger and these forces diminish and fade out; it will continue to shrink and you must be prepared to recognize the fact and the possible effects.

With this goes the possibility that some form of the problems we face today will continue for a long time to come. I wish I could be optimistic enough to believe we could return to a more normal world in some reasonably short time. I hope we can—but there is no real indication of it because we have with us and ahead of us many sources of possible difficulties and crises.

There always is the possibility of direct Soviet aggression or of additional Soviet-inspired border wars or revolutions which emphasize the need for strong military forces. There are all the complications and dangers that can arise from the international disturbances continually appearing throughout the world. And, there is the continuing problem of controlling inflation at home and of ensuring our own economic strength and financial solvency. All of these are closely interwoven.

Efforts of many kinds are being made to meet these problems and there are varying degrees of progress. But, so long as the most vital decisions lie in the hands of a power dedicated to world revolution, we can not assume we are assured either peace or security. Until that time comes you can not sit back content to think only in local terms. You can no longer measure everything on a personal and domestic basis, or turn your back on the effect of international events on the lives of everyone.

What has happened already has deeply affected your business and your personal affairs, and every one of you is immersed in inter-

national problems, whether you recognize it or not.

Growth in Public Awareness

In the last few years there has been a growing public awareness of international issues, but this is only the result of the Korea War and increasing taxes.

And when you are disposed to complain about the circumstances or the results, remember the contributions made by our own national characteristics.

In international politics we have hoped that some kind of an international law or legislative device, some action of the United Nations, a Treaty, an Agreement, a plan, or an appropriation of dollars would quickly and automatically produce permanent solutions for all the complicated problems of the world.

But, unfortunately, there are no simple, easy, positive, and complete answers. Every element of them is complicated almost beyond belief or comprehension. Any real knowledge of their ramifications will easily convince you of this.

From other nations we have expected a standard of conduct in international affairs that is not evident at every political level at home. In our domestic politics we do not always demonstrate the moral and intellectual qualities and the absence of self-interest that we assume will be forthcoming at the level of international affairs. The domestic and international political behavior of other nations is no better and frequently is much worse than ours.

It is only recently that we have become seriously concerned about costs and delays in expected results, and this is occurring because we are beginning to comprehend some of the difficulties and adversities in international planning.

We are beginning to realize that despite the tremendous amounts of foreign aid we have given and are giving, the governments of other nations are almost exclusively concerned with their own political national interests and problems — and very little with ours. This should not surprise us, but it does.

We are discovering that many of the solutions proposed in international affairs create or become lost in new or different or perhaps worse problems, and that the new problems inevitably lead to more demands on us.

We are learning it is not the ideas or ideals that are at fault. It is the pitfalls of practice and application that tend to frustrate our efforts and add to our costs.

Fundamental Problems and Dangers

I suggest that if we are to continue doing what we can to assist other nations, we would do well to consider certain fundamental problems and dangers in what we do.

First—While our foreign aid is measured in dollars, it is mostly delivered in goods produced from the raw material resources of this country. Our resources are not without limit although we proceed as though they are. This creates a double-barreled problem.

One is the depletion of our natural resources. We now import raw materials that used to be in free supply from domestic sources. A Presidential long-range study commission recently reported we are exhausting our resources so rapidly that our future security and economic growth are seriously threatened. We have expanded our industrial production capacity about 50% since the end of the war. The principal program of every other nation also is industrial expansion. This creates a great and growing machine for chewing up raw materials. We can become too dependent on the rest of the world for the raw materials needed to support our own tremendous industrial capacity.

The other is the inflationary financial impact of large domestic expenditures for products that are delivered abroad and can not be used to satisfy domestic consumer demand. This situation is aggravated by the unique device of paying for exports from the United States—not by imports, but by sending our goods abroad with bill of lading and check attached. The check is charged to tax revenues.

Second — Every foreign nation would prefer to meet its balance of payments problems with trade, not aid. We have invested many billions and years of hard work in attempting to put our Allies on a self-supporting basis. All of our programs have been directed toward helping other nations become self-sufficient and this can not be furthered by a tendency to return to more restrictive trade practices. If we are to avoid defeating our world objectives, our attitude toward volume imports will have to be restudied and revised.

Third—Unless the beneficiaries of our aid are willing to take appropriate measures of self help and the corrective steps which go to the roots of their problems, they never can be anything but weak, and until this is done, they can have little valid appeal to our economic sympathy or to the wealth created by our effort and saved by our self denial.

Fourth — Continued aid can be self-defeating and reach a point of diminishing returns. It tends to create dependency and reduces or eliminates the pressures and needs that should force progress and efficiency. A few of our beneficiaries already have begun to recognize that there can be a limit to its usefulness.

Fifth — The kind of a world everyone desires will not be created by dollar expenditures in any amount. Much more than money is needed. Men's minds can not be modernized quickly with mere dollars and in a few years we can not create for others what they have shown little disposition or ability to create for themselves. All we can add is a small plus factor in their development and progress.

With all our wealth we have some difficulty in paying for our steadily expanding welfare projects at home, and we can not supply any substantial measure of what we have to the rest of the world without undermining our own stability. The danger lies in weakening ourselves without providing any permanent help to others.

Sixth—There is no possible way we can meet even the most pressing needs of so many other nations and already there is evidence that if we try it, we will be subjected to the same conflicting requests and claims of discrimination from other nations as we have from the pressure groups of our own people. Dissatisfactions and antagonisms are the price of failing to satisfy their needs or wants and to include and treat everyone alike.

Seventh—Aside from the threat of direct military aggression, one of our greatest dangers is that we will try to satisfy the national interests of too many other nations, without firmly considering and protecting our own. After all "collective security" and projects of foreign "welfare" mean easing the budgets of other nations by additions to the budget and tax burden of the United States.

Eighth — We have a great and understandable desire to make a contribution to the peace and progress of the world and to assist and cooperate with other nations. But we must be careful that this does not lead to changes in the political, social, and economic organization that has made possible what we are and we have have; and does not undermine our freedoms or the sovereignty of the United States over its own affairs.

Whatever we do has to be designed to meet the long range strategy of an imperialistic and revolutionary Communism which includes a "Cold War" that is as much of an attack on our credit as it is a military threat.

Without protecting the elements of our own strength, we can not provide any real or lasting help to other nations. And any delusions that our resources are inexhaustible are dangerous to the security of ourselves and of everyone else.

A strong economic foundation is essential to any successful defense program and the United States only can be as strong abroad as it is at home. Weakness here imperils freedom everywhere. No amount of words, diplomatic efforts, or appropriations for loans or gifts can create the same confidence and the same firm support as maintaining the moral, economic, and military strength which is so vital to us and to everyone else. May we have the wisdom and the courage to do it!

With Mutual Fund Assoc.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Robert M. Horne is now connected with Mutual Fund Associates, 127 Montgomery Street.

Waldron Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Palmer Bescherer has been added to the staff of Waldron and Company, Russ Building.

Continued from first page

The Challenge to American Banking

growing economy. The banker had to minimize those losses that are often the by-product of expansion, and at the same time he had to provide financial resources so that the expansion was rapid enough to meet the ever insistent demands of an energetic and enterprising people. The kaleidoscope of events formed constantly new and historically unusual pictures. There must have been times when these pictures seemed somber and terrifying; yet courage was sufficient to produce the heritage that you and I now serve.

Through the intellectual labor and the imaginative insight of the bankers who preceded us, these United States are now blessed with a democratic banking system that is unmatched anywhere in the world. Our dual structure, which includes large and small privately owned local banks and a countrywide independent Federal Reserve System, has enabled us to build a sound national economy. The continued strength of this economy is absolutely necessary to our political health.

The job of financing America's initial expansion was difficult, but it was facilitated by this nation's position in the world. It is true that we engaged in wars during the nineteenth and early twentieth centuries. But these wars were small and inexpensive compared with World War II and its aftermath. In those days, the rest of the world left us pretty much alone to work out our own internal problems. Our international relations were much simpler, much more direct, and much less subject to possible disaster. The truth of the matter is that we spent comparatively little time thinking about the rest of the world.

The balance of power which made our isolation possible was the potential creation of the eigtheenth and nineteenth centuries. Its main architect was Great Britain, and its two main weapons were the British navy and colonialism. The balance was of course imperfect, and there were many examples of violent eruptions, but in the main it worked. So far as we in America were concerned, it worked amazingly well. It gave us the time to see our problems in better perspective. Had we not had this protection, we might never have been able to mature our political experiment; and the task of building our fantastically successful economy on the basis of free competitive enterprise would have been much more difficult.

Complete Transformation

I have recalled this bit of history in order to point out the complete transformation of the old world. The balance under which we once lived has now been totally destroyed. The oceans we once thought were impregnable barriers have become small puddles to be spanned in a matter of hours by aircraft that can move faster than sound. European nations which were thought to be eternally powerful or externally weak have shifted positions, and some have even gone out of existence. The formerly great creditors have now become debtors, and the former debtors have become creditors. So the story goes. Little of the old world is still with us.

History has now reached the point where these United States can no longer be isolated; indeed, we now have the task of leading free men of goodwill against one of the most voracious tyrannies the world has ever known. We were given time to grow up and get our new continent in order. We must now face squarely the facts of our adult life.

As Americans and members of our communities, we are now called upon to play our part in the fight to preserve a civilized, dignified way of life in the world. As bankers, we are called upon to evaluate the problem of paying for the cost of that fight. In both capacities, we shall be tried in the courts of democratic history as few generations have been tried before.

The Budgetary Cost

The proportion of our national budget going into our security efforts tells us unmistakably how significant has been the change in our role from isolation to world leadership. Over three-fourths of our federal expenditures are now being devoted to these efforts. Such an expenditure is a tremendous drain on the human and physical resources of our nation. It raises the serious question as to how long we can maintain the cost of our present military effort and other government expenditures, as well as our standard of living, without suffering severe long-run effects. Some well informed economists feel that we have now reached our limit: that either government expenditures for defense and other purposes must decline, or the American people must be willing to get along with fewer goods and services.

It is necessary for all of us—and particularly bankers—to understand with as much clarity as we can the simple economic facts of the national budget under our modern role in world affairs. When the smoke of political and partisan battle is gone, we shall still be faced with the undeniable fact that we cannot get something for nothing. If we want the defense of our people and our institutions, we must pay for it. There is no way to get battleships, planes, tanks, bombs, and the like short of taking material from nature and productive time from men and women. The defense of this nation will come only from an expenditure of time, effort, and resources. All of these must be paid for.

You and I, as bankers, must meet this situation in terms of realistic facts and action, and not in terms of fantasy and wishful thinking. We cannot afford the luxury of fantasy, because we sit at the pumping station of our nation's economic lifeblood. We must discard the fantasy of unsound financial thinking and must plead for a sane course of action, or our nation will lose the battle against tyranny in the long run by sapping its economic strength at home.

More than two years have gone by since the outbreak in Korea reoriented our nation's role in the defense of the free world. During this time, much emphasis has been placed on the need for avoiding inflation. One of the central themes has been that the defense program must not be financed through the banking system. Down through the years, bankers have held firmly to the principle that deficit financing through the banks is an unwise course that in the long run can lead only to the weakening of our monetary structure.

This principle must be a part of the banker's creed, especially today. We are now at the crossroads. The defense program has progressed to a point where our nation must decide whether we shall follow a path of financial responsibility, or succumb to the weakness of an easy way out of our fiscal situation.

We have reached the stage where the Treasury has found it necessary to resort once more to sizable deficit financing.

Complacency Developing

This poses a real danger. There is a great temptation to follow the easy way of financing the deficit through the banking system. Already there have been indications that, since other investors have not been willing to absorb all the new debt, a complacency toward resumption of bank financing is developing.

This complacency does not stem from any particular group, either in or out of government. It appears to be merely a general acceptance of the idea that since the Treasury needs the money and it is not forthcoming from sources outside the banking system, there is no alternative but to finance through the banks.

We bankers must not subscribe to any such complacency. We must not accept the thesis that there is no alternative. Rather, we should recognize a move toward financing through the banking system as one of the clearest indications of fiscal weakness in our government. If the only way that our nation can afford to pay for part of the cost of the defense program is through the creation of new money by the process of selling its debt to the banks, we must admit that there is an element of weakness in our make-up that will return to plague us later.

Every banker must understand this danger signal. It must warn him that the time is ripe for us as a nation, having accepted a role of responsibility in world affairs, to meet the cost of that role squarely and honestly.

That is why I feel so strongly that we must seek out the alternatives to deficit financing through the banks. One of the answers lies in meeting whatever deficits may occur through the genuine savings of the people, enabling them to purchase the debt directly and through their savings institutions. It is heartening to know that the Treasury has directed its efforts toward that end. Some progress has been made through the revised Savings Bond program in recent weeks, and further progress must be encouraged by all of us.

Saving in itself means some immediate sacrifice. It entails a willingness on the part of individuals to give up some of the goods and pleasures of present-day living, in return for their enjoyment at some later date. The postponement of spending that accompanies saving is a small price for a nation to pay for the purchase of its security and very existence.

But we should even ask ourselves whether deficits, financed in or out of the banking system, should be tolerated at all in times of crisis such as these. Is not the best alternative to financing through the banks, the avoidance of any deficit whatsoever? Is not the real issue whether we, as a people, shall be willing to bear the cost of the obligations we have accepted in assuming a role of leadership in the world of today?

Of course, we must examine those obligations carefully. We must be confident that they are based on sound policies and programs throughout the world; they should neither be accepted blindly by the people without close scrutiny, nor used as an excuse for reckless spending. Then, after we have determined what constitute the legitimate and essential needs of our national security, we must not treat lightly the problem of meeting their cost.

In recent years, too many of us have been prone to succumb to a disease which might be called "governmentitis." This disease manifests itself when people get the idea that the burden should be borne by some one else. It leads to complacency and taking the easy way out. It becomes much less painful to temporize with a problem and to delay the time when corrective action must be taken. The symptom centers in a general loss of individual initiative and in dependence upon the omnipotent wisdom of a bureau or an elected official. This disease develops slowly, and history shows the number of times it has defied diagnosis until it was too late. "Governmentitis" is with us, and it must be understood and recognized now. We must ever be mindful of the enduring wisdom of Mr. Jefferson's statement, "That government governs best that governs least."

Part of the trouble with leaving serious economic decisions to government officials is that statesmanship is too often lacking. Frequently a decision will be based solely on political considerations. When such things happen, we can certainly blame ourselves if we do not fight with all candor and vigor for what we know to be right, even though it be unpopular. It is for this reason that we must know the facts of our national and international lives. We must know them, and we must lead others to know them and act upon them.

Danger of "Governmentitis"

Some of you have heard me speak during this past year of the banker as a symbol of trust. Part of the trust you and I hold is the obligation to speak clearly and truthfully regarding the life we share in common with the rest of the American people. If through laziness and indifference or fear we succumb to "governmentitis," we shall have denied an essential part of the trust that the American people have placed in us. The denial of this trust will bring this nation to ruin faster than all the armies of communism.

To fulfil this trust, the banker must be alert. He must be well versed in knowledge of the economic and financial complications arising from our new role in world affairs. Equally as important, he must be prepared to impart that knowledge to others in his community. The everyday process of banking activity affords many opportunities to perform this important function.

It would be indeed unfortunate to go along with the tide and adopt an attitude of complacency, or to be blinded by ignorance of the facts of economic life. On the contrary, the banker must buck the tide of complacency and must sharpen his vision on the important economic questions of the day.

We know what causes inflation, for example; and we know that unpopular political decisions must be made in order to stop it. We know that the banks themselves, as demonstrated under the Voluntary Credit Restraint Program, can do a concrete, constructive job on the monetary front. We also know that banking cannot do the whole job alone, and that industry and agriculture, labor and capital, and every other group in this country must have the facts so that realistic political decisions can be made.

Inflation is not a partisan political issue. Rather it is an issue which lies at the heart of our defense against tyranny and affects the health of our nation. Although some groups seem to benefit from it in the short run, in the long run we all lose. An American inflation becomes a world problem which strikes fear to the hearts of free men and gives joy to the spirits of those who seek our destruction.

It may seem strange to some that I mention the problem of inflation today, when readjustments have taken place in many of our industries during the past year,

and rumblings have appeared concerning the danger of an economic setback after the defense program will have reached its peak. My answer is that we cannot afford to compound the mistakes of World War II. We told ourselves that we could not pay for the war as we proceeded, and the heritage of that debt now weighs heavily on our shoulders.

Today, the program of defense of the free world is absorbing a much smaller proportion of our national output than was absorbed in World War II. We are living in the lap of luxury, and spending recklessly, both as individuals and as a nation. To say that we cannot afford to pay the bill will merely create the foundation for another wave of inflationary pressure—if not in this or the next year, then at a later date.

That is why I feel that the banker must know what financial implications arise out of our changed role in world affairs. That is why he should understand the real significance and dangers, for example, of a return to deficit financing through the banking system.

If the confusion of tongues in our present world is any criterion, we have not yet learned how to cut the costs of government to fit our economic cloth. We have not yet learned the truth of the ancient statement that "the power to tax is the power to destroy." Many Americans have not yet learned that the only money we have comes from the productive labor of the people of this country. If the government gives something, it is not free; it is simply paid for when the tax collector arrives, or when the forces of inflation take hold.

Trooping to the Federal Treasury

Because it doesn't seem to be costing anything, people — singly and in groups—have been trooping to the Federal Treasury for gifts and loans which will never be repaid. Some politicians have looked upon this procedure as a perfectly legitimate way of getting votes; and we have gone merrily on, assuming that the next person will pay the bill, when the truth of the matter is that the cost comes back to us at a rate compounded by the weakened value of our money. Under no concept of moral values must we accept the idea that the defense program is merely an excuse for running to the Treasury.

It is bad to live in a fantasy world at any time, but it is downright criminal to take fiction for fact when freedom itself hangs in the balance. This particular economic fairy story must be given up now before we are weakened beyond the power of defense. Again the politicians will find it impossible to break this myth without the hard-headed assistance of an aroused public opinion. True, the issues are complicated; but every banker and this Association must find ways of speaking the simple truth directly. Our foreign enemies are not going to call off their attacks because we make errors of judgment. We can be sure that they will be only too delighted to capitalize on our mistakes.

Not one of us, no matter how small or large the town in which we live, can afford to isolate his thinking and his action from the world scene. Those of our banking ancestors who disregarded the total problem of our domestic economy did themselves and their heirs a great disservice. Those of us who disregard the problems created by our international position will have exactly the same fate. History will not accept ignorance as an excuse for failure.

During the first two weeks of this month, it was my privilege, as your representative, to attend the seventh annual meetings of the Boards of Governors of the International Bank for Reconstruction and Development and the International Monetary Fund in the City of Mexico. For me it was a thrilling experience.

Meeting in that ancient City of Mexico, whose arts, culture, and customs far antedate any similar site on our continent, added a colorful background to the discussions which took place.

In addition to the representatives from the members of the respective organizations, the meeting brought together many representatives from the banks in our country interested in international banking. There were three past presidents of the American Bankers Association present: Messrs. Hanes, Hemingway, and Dodge. Each of these gentlemen has distinguished himself, as you know, in the field of international finance in recent years. We are proud of their accomplishments.

From another standpoint, after listening to the discussions, even though the members were not always in accord, it was to me satisfying evidence of the fact that when the bankers representing fifty-four free nations of the world can sit down and discuss their problems, great good can come out of their deliberations:

(1) We gain respect for each other, our respective points of view, and our common problems.

(2) These discussions lead to confidence in the actions of one another.

(3) We can come to a common understanding of the plane, or level, upon which our actions must be based if we are to maintain and merit international confidence.

Institutions such as the World Bank and the Monetary Fund have all the potentialities for helping to lay the basis for permanent peace because they embody cooperation between nations.

When the proposals for their creation were under discussion at Bretton Woods in 1945, the Association gave its full support to the establishment of the World Bank; and it is gratifying for us today to see the splendid progress that it has made in the few years of its operation.

In 1945, the Association did not favor the creation of a separate Monetary Fund, but recommended that certain of its features should be incorporated into the provisions for the World Bank. Since then, the difficulties faced by some of the nations in world currency relationships have impaired the effectiveness of the operations of the Fund, but it is hoped that the principles of international cooperation will become more firmly established in the years to come.

In my opinion, no one could sit and listen to the discussions which took place in Mexico without a feeling that our faces must be turned to a rising tide of international relationships. It may be that through these organizations we have lighted a new torch of freedom. We are facing a new era, and as bankers we must prepare ourselves to meet the issues.

My plea today is for each of us to do a better job in our local communities. In each community, the banker is the symbol of integrity. Many times this symbol has proved itself inarticulate, and sometimes the active participation in economic affairs has fallen to demagogues or the half-educated. The failure to be active and to assume community responsibility has sometimes resulted in economic stupidities of a momentous and dangerous nature. We can no longer afford them, and we must see to it that they do not happen again.

The American banking family is now confronted with one of the greatest challenges that any generation can place upon its sons. We have the proper faith as a foundation for action; we have a history which reflects our devotion; we have the confidence of the people of this great land; and I know we possess the courage to do the job. We shall do our part and we shall not fail.

Philadelphia Issue Of $28,220,000 Bonds Offered to Investors

A group headed by The National City Bank of New York made public an offering on Oct. 8 of $28,220,000 City of Philadelphia, Pa. various purpose 4%, 2½% and 2¾% bonds, due Jan. 1, 1954-1983, inclusive. Halsey, Stuart & Co. Inc. and The Philadelphia National Bank are associate managers of the group.

The bonds are priced to yield from 1.35% to 3%, according to coupon and maturity. The offering group was awarded the bonds at competitive sale on Oct. 7.

Associated in the offering are—Harris Trust and Savings Bank; C. J. Devine & Co.; The First National Bank of Portland, Ore.; Blair, Rollins & Co. Incorporated; Stone & Webster Securities Corporation; Goldman, Sachs & Co.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; Mercantile Trust Company; Eastman, Dillon & Co.; Hornblower & Weeks; First of Michigan Corporation; Weeden & Co. Incorporated; Barr Brothers & Co.; Harris, Hall & Company (Incorporated); Roosevelt & Cross Incorporated; Aubrey G. Lanston & Co. Incorporated; Schmidt, Poole & Co.; Dick & Merle-Smith; F. S. Smithers & Co.; Bache & Co.; Fidelity Union Trust Company, Newark, N. J.; City National Bank & Trust Co., Kansas City, Mo.; Dolphin & Co.; Bramhall, Barbour & Co. Inc.; William Blair & Company; G. H. Walker & Co.; The Illinois Company; De Haven & Townsend, Crouter & Bodine; Robert Winthrop & Co.;

Also: The First National Bank of Memphis; Moore, Leonard & Lynch; Fahey, Clark & Co.; Wurts, Dulles & Co.; Stein Bros. & Boyce; Commerce Trust Company; Thomas & Company; Aspden, Robinson & Co.; J. W. Sparks & Co.; H. M. Byllesby and Company (Incorporated); Gregory & Son Incorporated; Mullaney, Wells & Company; John C. Legg & Company; Third National Bank, Nashville, Tenn.; Seasongood & Mayer; J. B. Hanauer & Co.; Newhard, Cook & Co.; Anderson & Strudwick; M. B. Vick & Company; Walter Stokes & Co.; A. E. Masten & Company; Watling, Lerchen & Co.; Shelby Cullom Davis & Co.; Provident Savings Bank & Trust Company, Cincinnati; Wachovia Bank and Trust Company; Cook & Quinlan; Coffin, Betz & Co.; Wm. J. Mericka & Co., Inc.; Glover & MacGregor, Inc.; Magnus & Company; Sterne, Agee & Leach; Harrison & Co.; and J. R. Ross & Co.

R. M. Michaud Joins Model, Roland, Stone

Model, Roland & Stone, 120 Broadway, New York City, members of the New York Stock Exchange, announced that Ralph William Michaud, formerly with Brundage, Story & Rose, has joined the firm's Research Staff.

David N. Richardson Co.

DAVENPORT, Iowa—David N. Richardson & Co., Incorporated, with offices in the Central Office Building, has been formed to continue the investment business of Richardson & Company. Officers of the new firm are David N. Richardson, President and Treasurer; Loren T. Sloane, Vice-President; and A. Fred Berger, Secretary.

Public Utility Securities

By OWEN ELY

American Power & Light—Washington Water Power

The stock of Washington Water Power Co. was distributed by American Power & Light Co. to its own stockholders on Aug. 21—the last major distribution made by that company. American recently filed with the SEC a dissolution plan, under which it proposes to distribute 1/43 share of Portland Gas & Coke and 95¢ in cash to each share of its own stock. AP is now selling around 2½ and the distribution would reduce the value to $1.10, based on the current quotations for Portland around 19¼. After this distribution the company will still retain net quick assets of about $3,600,000, against which there are definite liabilities of about $600,000, plus an indeterminate amount of contingent liabilities. It also has some contingent assets with a current value of about $1,500,000—ecrowed shares of former subsidiaries not yet claimed by stockholders, and which will become available as general assets after statutory time limits run out. Judging by experience in other cases of this sort, possibly half of the value of these shares may eventually become available, or about 32¢ a share. Assuming that the $3,000,000 of net quick assets is not reduced by tax or other claims this would be equivalent to $1.28, making the value of the $1.10 stubs about $1.60. These estimates are, of course, merely conjectural.

In making the Washington Water Power distribution in August, American arranged to have the number of outstanding shares of Washington reduced about 10% to coincide with the number of American shares, so that the distribution could be made on a share-for-share basis. This, of course, has altered Washington's share earnings and dividend figures. Since the financial services have been slow to report adjusted figures, this may have led to some confusion in the minds of investors, who are perhaps relating old earnings and dividends to the current price of the stock. Thus, the share earnings of $1.45 for the 12 months ended June 30 would be increased to about $1.59 on the new number of shares, and the dividend of $1.20 paid to American would (if paid to present public holders of the stock) be automatically increased to $1.32. On this basis, the stock at its recent price around 27 would be selling to yield 4.9% and would reflect a price-earnings ratio of 17.

However, the present market price reflects other factors than the current earnings and dividend figures. The company is well along with a huge construction program, and a big new hydro plant is scheduled to go into operation around the end of this year. The new Cabinet Gorge plant with capacity of 200,000 KW (presumably under normal water conditions) will almost equal the combined capacity of the present 11 generating plants.

The dam is a concrete, true-arch structure stretching 600 feet across the gorge and rising 208 feet above bed-rock. Although not the largest in the area, Cabinet Gorge Dam has presented problems as difficult as dams many times its size. One of the first problems was to divert the Clark Fork River from the area in which the dam and powerhouse would be built. This was accomplished when a tremendous blast ripped 60,000 cubic yards of rock from the gorge's left wall and dumped it into the narrow canyon to create a cofferdam, which turned the river into two 1,050-foot-long diversion tunnels. Only one short working season, between high-water periods of spring floods, was allowed for completion of the dam, but this race against the spring torrents was won last April. Other crews rushed the railway and highway relocations in the reservoir site and completion of the 230,000-volt transmission line from the plant to Spokane.

Washington has been fortunate in having a very high equity ratio —over 60% at the end of 1950— which has permitted financing the new plant first by bank loans and later by sale of $30 million First Mortgage Bonds. Further debt financing is expected in 1953. Thus, the earnings leverage of the common stock has been improved by reduction of the high equity ratio.

Due to rising costs, the company has applied for an increase in rates. The applications were filed with the Washington and Idaho Commissions in the fall of 1950, and some hearings have been held, but completion of the case has been postponed several times. It is expected that hearings will be completed late in 1952.

Based on normal hydro conditions and operation of the new plant, Wall Street estimates of future earnings power are around $2 a share, with an additional $1 a share when accelerated amortization on the new hydro plant is being fully accrued (probably in the year 1954). While the management has made no definite forecast except that dividend policy will be reasonably generous, opinion in informed quarters is that the dividend rate will be $1.50 per share. This may not be the initial rate, however, since 1951 earnings will include a very substantial credit for interest on construction —which income is, after all, merely a bookkeeping item and not cash. Assuming that a future $1.50 rate is not too hopeful, this would mean a yield of over 5.5% at the present price. Moreover, beginning in 1954, when accelerated amortization comes into play, a large part of the dividend may be "tax-exempt"—i.e., not subject to current income taxes — which might make the stock interesting for those investors in high tax brackets.

It must not be forgotten, however, that the company will continue to face two vicissitudes— recurring droughts, and the strained relations between private utilities and public power in the Northwest. Barring political changes, Bonneville and the Interior Department may continue their hostility toward private utilities in this area—though at the moment local political sentiment and the temper of Congress are favorable factors.

Railroad Securities

Sante Fe and Southern Railway

The market for railroad stocks continues to ignore good news, including the steady trend toward more liberal dividend policies. The most recent news in this direction was the declaration of a $1.25 extra by directors of **Santa Fe**, bringing payments this year to a new all time record high. The regular quarterly rate on this stock is $1.25. Santa Fe common, which had been notably strong immediately prior to the directors' meeting, fell off on the news. Aside from the dividend picture the August earnings reports that have been coming out in the past few weeks have generally been highly encouraging. The rebound from the influences of the steel strike was far more rapid than had been anticipaetd in most quarters. Moreover, prospects over the balance of the year, and well into 1953, still appear quite favorable. Under the circumstances, and with more good dividend news looked for before the 1952 year-end, many of the leading railroad analysts look for a resumption of the uptrend in railroad stock prices over the not too distant future.

One of the roads that has been doing exceptionally well from the point of view of operations and earnings has been **Southern Railway**. The huge sums that have been spent on the properties and on new equipment in recent years are now paying handsome dividends in the form of lower costs and increased operating efficiency. Moreover, the full benefits have not even yet been realized. With dieselization largely completed the road has now turned its energies to yards and terminals. The first major project was completed last year, a second is now being undertaken by the controlled Alabama Great Southern and others will follow as funds are available from earnings. Thus, it may be expected that the operating ratio will continue on the downtrend.

Southern's August showing was particularly impressive. For the month gross revenues were at $23,014,000, an increase of $1,247,000 over a year earlier. Federal income taxes were up $1,835,000. Despite this heavier bite by the Internal Revenue Department approximately 90% of the gain in revenues was carried through to net operating income. Net operating income of $3,282,000 was $1,115,000 greater than in August, 1951. The answer lies in the trend of operating costs. The transportation ratio was cut by 3.7 points and the overall operating ratio by more than 10 points, to 65.7%.

Relatively the showing for the full eight months was not so favorable as for the month of August by itself. However, it was very good. Gross revenues increased $6,572,000 to $176,850,000. Federal income taxes were up $6,395,000, or nearly the full extent of the revenue rise. Nevertheless, more than 60% of the gain in gross was carried through to net operating income. Net operating income for the period was $20,893,000 compared with $16,926,000 a year earlier. The most impressive part of this performance was that the actual dollar outlay for transportation expenses was lower this year than last and this all important ratio was cut more than two points, to 33.5%.

The dollar increase of $3,967,000 in net operating income is equivalent to a little over $3.00 a share on the outstanding common. If the road did no better than match the 1951 performance in the last five months of 1952 this would mean common share earnings of $15.26 for the year. Actually there is every reason to expect that there will be some further year-to-year improvement in earnings over the balance of the year. Thus, it is entirely possible that as much as $17.00 to $18.00 a share may be realized in 1952, the best showing since the wartime peak of $23.41 in 1942. Granting that the management must still take into consideration the bond maturities from now through 1956 such earnings would certainly appear to justify some hopes of more liberal dividend policies over the reasonably near future. In any event, even the present $4.00 annual rate affords a return of better than 6% at recent market levels.

ERRATUM: Two weeks ago in this column it was stated that Seaboard Air Line preferred stock had been called for redemption as of Dec. 1, 1952. The redemption date is Oct. 20 and the conversion feature expires on Oct. 17.

Wm. J. Becker With Hulburd, Warren Co.

William Becker

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William J. Becker has become associated with Hulburd, Warren & Chandler, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Becker was formerly in the trading department of the First Securities Company of Chicago and prior thereto was with L. F. Rothschild & Co.

Continued from page 25

Banking Problems in Our Defense Economy

our jobs won't fit exactly, but they work in fairly closely. As much as I dislike the concept of across-the-board increases, it has to be done sometimes; and we must be enough informed to know when the time has arrived. If we follow the BLS indexes or some similar statistics for the area, we have far less chance of reacting too late to prevent employee discontent.

Other Employee Relationships

Employee relations beyond the wage question is dependent almost entirely on our supervisory and personnel staffs. They must be educated to understand and respect the personnel. They must place responsibility on those who seek it, work slowly on those who fear it. They must encourage free expression, pass on good ideas and justifiable complaints, and make sure the employee understands that consideration is being given. An answer must come back. All supervisors and officers must recognize that their duties include a responsibility to the personnel as well as to the job to which they have been appointed. Providing job comfort and stimulating interest consume what some times appears a disproportionate amount of our time; but if we can keep our better personnel, it will have been a small added burden.

Six Personnel Suggestions

May I make six concrete suggestions on personnel, realizing that the wage regulations are always to be considered:

(1) It pays to pay slightly above the average going rate for any job and thus get better material and less turnover. You may think you are doing it and yet not be. Periodic check-ups are extremely important.

(2) It pays to take time initially to properly introduce new employees to your organization and see that they get the proper initial instructions. The impression received in the first few days may determine whether they stay or leave.

(3) It pays to recognize and promote and increase pay promptly of those new members of your staff who demonstrate ability and real interest.

(4) It pays for the president or chief executive officer to be available at all times to any disgruntled employee who feels he cannot get satisfaction in any other way.

(5) It pays for the president or chief executive officer to attend employee functions, attend supervisor meetings, and to know the employees better. Don't wait till you have real trouble.

(6) It pays to know your most promising nonofficer employees, to make intelligent selection of future officers. Try informal social get-togethers of senior officers and these young men and talk about them and their interests, their families, and your plans for them if they continue to perform good work.

III

Our Responsibility to Community, State, and Nation

As national bankers, we form a vital and influential sector of our local and national communities. To maintain our leadership and discharge our responsibilities, we must contribute to worthy social efforts and sound government programs. Of this most important bank function, I should like to be brief but emphatic.

We are faced locally with the responsibility of supporting worthy civic and social organizations. We all know that we must contribute both time and financial assistance. The degree of our participation is all a matter of balance, and we are each our own best judge of where that balance lies. Meeting your civic responsibilities will give you a sense of satisfaction, and the contacts cannot but be helpful to your bank's long range progress.

Perhaps the greatest social contribution we can make is through the education of our personnel in the field of basic economics and government. We can impress upon our employees the fact that the great strides made by this country since its beginning were the results of free men working in a free environment. We can bring about a realization among our employees that good government comes about as a result of active public participation, and that over the years, the saying that "People get the kind of government they deserve" has been true. We can urge our employees to vote, to participate in local affairs of government and civic organizations. We can urge them to encourage sound thinking in their out-of-business connections. If we can do no more than to get across one point, that government can distribute to the people only that which it has previously taken away from the people, we shall have accomplished a great deal in the economic education of our personnel.

Finally, we are faced with the responsibility to act positively in our approach to government action and policies. We must not throw up our hands in resignation. We must, rather, ferret out the weaknesses and strong points in the government's approach to economics and banking, supporting those efforts, such as the Savings Bonds program, that deserve our help, and constructively opposing nonessential spending, waste, and unbalanced budgets, which we know to be inherently unsound. We should endeavor to point out to our elected representatives the injustice of the excess profits tax law, particularly as applied to those banks who need good earnings to attract additional needed capital.

IV

The Problem of Satisfying Stockholders

Our basic problem is still that of making a decent return for our stockholders, while at the same time satisfying our own conception, and that of our supervisors, in regard to sound depositor protection.

We have been whipsawed over a period of years between artificially low interest rates and increasing costs. (We have, in fact, been subject in our interest rates to a form of price control.) Although banks have not experienced excessive profits, they come under the provisions of excess profits tax laws. The three-year provision for reserves for losses in many instances is inadequate in the light of past experience as loan portfolios increase and the twenty-year moving average begins to exclude early depression years. But collectively we have urged corrective measures; and this last year, with the unpegging of the government bond market, rates have become more realistic. There appears to be a good chance in the near future of Congressional recognition and reconsideration of the excess profits tax law as it pertains to banks. There also appears to be a good chance of investigation and revision of the regulations applying to bad debt reserve allowances.

In spite of the handicap under which we have been operating as an industry, as a matter of record, some banks show a better performance than others. While some variance is due to the area served, there is still a great amount of freedom for good management. In my opinion, it behooves us all to reexamine our efforts in relation to the following:

(1) Our entrance into new fields and new services.

(2) Development of new-business acquiring methods, techniques, and advertising.

(3) Development of capable officers and personnel.

(4) Protection of the assets under our control by adequate internal auditing and other safeguards.

(5) Imaginative review of loan policies.

(6) Thoughtful management of our security portfolios in the light of current conditions to obtain the maximum yield with adequate stability and to take full advantage of the tax law provisions.

(7) Knowing our costs that we may be better prepared to control our expense and to direct our new business efforts along profitable lines.

Conclusion

It seems to me we can liken ourselves to ship captains who during fair weather ready their ships and their complements for whatever rough weather and emergencies may lie ahead. We sail in a period of respective calm and well-being, but a storm is bound to come. Let us examine our rigging, strengthen our staffs, and tidy our ships that we may be prepared to negotiate safely whatever is before us.

George P. Shettle With Lambert & Co., NYC

Lambert & Co., 2 Wall Street, New York City, announce that George P. Shettle has become associated with them in charge of Investment Analysis.

Bertram Stiff Opens

UPPER MONTCLAIR, N. J.—Bertram Stiff is conducting an investment business from offices at 26 Nassau Road. He was previously with B. W. Pizzini & Co. and the Trenton Trust Co.

Securities Salesman's Corner

By JOHN DUTTON

How to Build Prestige

A repuation for integrity, ability and sincerity is one of the most priceless possessions any professional man can acquire. It does take years to build such a reputation. It cannot be done quickly—or carelessly. In every community there are standout Doctors, Dentists, Lawyers and Investment Men. There is a pattern that follows definite actions in the field of good public relations, that if faithfully followed will eventually establish your position in your community.

The first step in building a good reputation is to think well of yourself. This can only be accomplished if you will be fair with yourself. A man who regards his life work as just something which furnishes him a living, will act and perform accordingly. The man who takes a serious view of his activities, who believes that he must continually add to his store of experience and his effectiveness of action, will build step by step in his relations with the public. You cannot be something that you are not. Sooner or later you will know it, then your friends will know it, and later on the whole town will know it.

The second step in building good public relations is also a matter of inner understanding. You must believe that you are in important part of the community. I know men who have thought there was something about which they should be apologetic in that they were engaged in sales work. I have never gone to see "The Death Of a Salesman." I read the reviews, and after I had obtained the general outline of the poor, maladjusted, fellow's character, who was on the receiving end of the accumulated misery that was portrayed in this play, I did not need to see it. There are many men who call themselevs salesmen, who go through life kidding themselves into believing that they could have been something bigger and better. There are men in all walks of life who kid themselves, not just salesmen. There are also men who have made a success out of their lives in every way—they had it in them to live right and do right — they were salesmen in the finest sense of the word. When I hear some man apologetically answer the question as to his manner of earning a living, and he says, "I'm a peddler," I know that he is carrying an inferiority complex around that will dog him the rest of his life, unless he wakes up and gets rid of this completely unsound and ridiculous attitude toward his work.

The third step in building good public relations is in a large measure related to the two first steps. Don't discuss your business promiscuously. Make your business as important as any other professional man would do. Don't discuss stocks and bonds on the street corner, in the club, over the luncheon table or on the golf course. Don't give tips. Don't make it cheap. A man's money and his finances first of all are a fairly confidential matter. This is also a very important subject to most people. I am reminded of a broker friend of mine who was introduced to a man who he knew was interested in buying securities. The broker was asked "Well, what's good?" He answered, "Mr. Peacock, I hope you don't think I am trying to be glib, or to be rude. But first of all, I believe that no man has the right to suggest to any other man what he should buy in the stock market, unless he knows what that man already holds, what his investment objectives are, and a good many personal things about him. I have seen too many 'off the cuff' opinions that were given in all sincerity and then boomeranged. I am sure that your doctor would not give you his advice on a serious mater regarding your health over the telephone without first giving you a physical examination, and I believe you will agree with me that good financial advice deserves the same considerate attention." As a result, a better understanding was established than could have possibly ever resulted from some idle chatter about stocks, or the market. You don't have to be stuffy about it—but people should know that if they get advice from you that it is valuable. You can build prestige for yourself by the attitude you ASSUME toward your business.

The fourth step is to become favorably known in your community. If you associate with organizations that do community work—if you go with people who have character and who are builders of solid progress—you too will be accepted as that type of person. Every action in life is reflected outwardly. We are creatures of habit and we tend to follow a pattern in our actions and reactions. I have time and again watched people under certain emotional strains, and I have witnessed that they do the same thing over and over. Very few have the will power and the understanding to curb their weak tendencies and to build up stronger character traits. The man who never makes a fool out of himself is a rare person indeed. But he is a much rarer bird who, once in a while, sees himself objectively, and tries to discontinue some of his foolish and harmful words and deeds. The man who can grow will build good public relations. The bigheaded, the loud-mouthed, the indiscreet, the impulsive, the fretful, the show-off and the bluffer will never build a good reputation. For him it is true that "The things he does speak so loud no one can hear what he says."

The word-of-mouth advertising that comes to the professional man is the most important single asset which he can acquire. When your clients begin to say to their friends that you are a good man on your job, that you are a sincere fellow, that you can be trusted and you know your business, then you are on your way. Speechmaking before public audiences helps if you know what you are saying. Publicity of all kinds providing it is favorable can't hurt either. But best of all is the "good-will" of your clients. If they get something from you that they appreciate and **do not take for granted**, you can build a reputation on that. But if you make it cheap, or if you don't believe it yourself, all the outside publicity in the world won't help you to build a business.

It is not necessary I am sure to add—"How easily, how easily, can one bad slip overturn the applecart." You not only have to know how to build but how to keep—good-will. Any time you think your job doesn't take ability, knowledge, patience, and all the other virtues, think it over. The fellow who wrote "The Death of a Salesman" may be a clever writer, but he wouldn't know how to go about being one—not in a thousand years.

Harris and Partners of Toronto Formed

TORONTO, Canada—Harris and Partners, Limited has been formed with offices at 21 Jordan Street by W. C. Harris & Co., Ltd. and the merchant banking firms of Baring Brothers & Co., Ltd. and Morgan Grenfell & Co., Ltd. of London.

Officers are Sir Edward Peacock, Chairman; William C. Harris, President; J. M. Conn, Secretary; and W. W. H. Hill-Wood, C. H. Millis and H. B. Bell, directors.

With Daniel Reeves Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Betty Keeler has joined the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. She was formerly with Curtis Lipton Co.

Joins Ohio Company

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Alfred J. Lowe, Jr. has joined the staff of The Ohio Company, 51 North High Street, members of the Midwest Stock Exchange.

Continued from page 3

Electronics for Defense And Peacetime Industry

most concern, should be our major objective in military electronics.

Television—No. 1 Oportunity in Peacetime Electronics

Now let us have a brief look at today's Number One opportunity in peacetime electronics—television.

Immediately after the war, activity in extending commercial television gained great momentum. The 10,000 receivers in the public's hands at the close of the war quickly multiplied. Today, seven years later, there are more than 18,000,000 sets with an estimated audience of 60,000,000 persons. The number of stations on the air has grown from fewer than a dozen in 1946—and these offering only limited programs — to 110 serving 65 urban areas. By means of coaxial cable and radio relay the geographic spread of television programing has increased. Today we have expanding network facilities which span the continent. This has added strength and impetus to television.

At the beginning, just thirteen channels were provided for the service. These were in the very-high-frequency portion of the radio spectrum. The rapid growth of television broadcasting brought with it problems in the allocation of stations because of possible interference between them. This led to a review and there followed a "freeze" by the Federal Communications Commission on additional station assignments. The "freeze" began in September of 1948 and continued until a few months ago.

During this period, information and experience were accumulated on these interference problems. In addition, a system of slightly offsetting the frequencies of nearby stations on the same channels did much to eliminate or minimize a predominant source of interference.

The readily apparent need for more channels to achieve full coverage for television spurred fundamental studies on the ultra-high-frequency portion of the radio spectrum. A succession of propagation studies and field tests culminated in an extensive UHF set-up made by RCA-NBC at Bridgeport, Conn. Here tests were conducted under full-scale conditions and over a long period of time. First these were for basic studies of the system and later as a service to receiver designers.

With the practicality of UHF established—with technical considerations of VHF interference better understood and reduced, the Federal Communications Commission, in April of 1952, lifted the "freeze" on station construction. They announced the criteria for allocation of new VHF and UHF stations. By last week, 60 new stations had been authorized.

This activity marks the start of the second big surge of television. The way has been opened for approximately 500 more stations in the VHF band and some 1,500 stations in the UHF channels. The present skeleton of nation-wide television service can be filled out. Virtually every community in the country will be within range of television broadcasts. A total of 50,000,000 television sets in the United States within five years is not an unreasonable estimate.

Added to this promise of grow for black-and-white television, is the opportunity for television in color. Extensive testing is under way. Experience is now building up in many segments of the industry. The National Television System Committee is active on the determination of signal standards. We may move forward with a compatible system permitting an orderly progression to television broadcasting enhanced by the addition of color. By compatible, I mean, a color television system that can be received in black and white on conventional television receivers without modification.

Current Promise of Both Military and Peacetime Electronics

Now let us take a look at a current promise for both military and peacetime electronics. This area of research—electronics in the solid state—is just now crossing the threshold into a revolutionary future. It is my Number One promise for electronics of tomorrow.

Radio equipment of the early days made use of essentially the same materials as its older brother, the electrical industry. These were the conductors—materials permitting the ready movement of electrons when under proper influence; insulators—materials where the electrons are bound; and magnetic materials. From almost the beginning, however, a new class of materials entered the radio scene. These were neither conductors nor insulators in the usual sense and they did not obey Ohm's law. I refer to the loosely packed particles of the coherer and the crystal with its point contacts. These were the detectors of radio waves. While the performance of such units could be measured, the basis of the performance was little understood. Except for such specialty applications these semi-conductors were the discards of the electric and radio arts. They served well during the early radio days but passed from the stage when the electron tube emerged.

The electron tube became the lever-arm of radio and electronics. It is the keystone of all apparatus and techniques upon which the present ever-expanding industry depends.

While we have progressed far, and while we are still expanding the versatility and usefulness of electron tubes, attention again has been directed to the discard materials, the semi-conductors. As is so often the case, we find in the discard, the real gem itself. But this time the approach was not through empirical experimentation but by painstaking research with understanding of each step. Also it was not a single approach but one which has taken many routes with many evidences of current and potential results.

The first broad uses of these materials came from their non-linear and unilateral properties which were those of importance for radio-frequency detectors of the early days. Then we moved into small power applications as well. As understanding grew, we learned that conductivity could be influenced by radiant energy (photoconductivity), by electron bombarment (bombardment-induced conductivity), and by applied voltage (transistors), just as in the case of the electron tube. Here, however, we are working with the controlled action of electrons in solid meaterials.

A New Tool

Why is this important? It is important because we have a new tool, a new instrumentality. It promises to augment and to supplement the electron tube. It means new freedoms in the future in the designs of equipment.

It means wider and added services and uses. It provides a new dimension.

We might well ask—"Doesn't this spell obsolescence?" The answer is obviously "Yes," but it is the obsolescence which is the basis and the purpose of scientific research. It requires agile organizations and it spells greater service and utility.

It is in this area of electronics of solids—the use of semi-conductors — that electronics engineers have an immediate future task. It is clear that the foundation stones of our industry are to be modified and changed. This is the challenge. The job is to move in an orderly but aggressive fashion. The job is to be sure that the advances are constructive and beneficial.

I have outlined what I consider today's Number One problem in military electronics. We have discussed what I consider today's Number One opportunity in peacetime electronics—television. I have sketched what, in my opinion, is the Number One promise for electronics of tomorrow — electronics in the solid state. Shall we take one more step? Shall we attempt a glimpse at, what to me seems to be, the Number One promise for electronics the day after tomorrow?

Electronics Assuming Mental Functions

I mentioned earlier that electronics, more and more, is assuming functions formerly performed by men's minds. Here today's elemental applications are prophetic for tomorrow and the day after tomorrow. In this area we face a revolution of techniques, mechanisms, and machinery—a revolution as great if not greater than any that has gone before. I cannot emphasize this too strongly.

Electronics with its unlimited ability to count, remember, and control — electronics with its capacity for accuracy — electronics with its comprehensive coverage—electronics with its facility to operate tirelessly and without fatigue — is electronics literally asking to take over certain duties which have been performed by men's minds—thinking processes. What man can conceive, comprehend and perform, he will be able to construct in electronic systems to do his bidding and the electronic performance will be at least as effective as the human performance.

I am not just thinking here of help to man such as he has developed to aid his senses, to aid him to compute, to aid him to store information or a variety of other helps. I am thinking of a synthesis of all these together with developments yet to come, so organized that by man's prearrangement the electronic system will sense, react, interpret, compute, act and control. It will do this using what is the equivalent of thinking and intelligence. It will do this because man has put these channels into the system. It will do this at man's simple choice to start or to stop, which will act with such speed and with such all-inclusive comprehension that it will outstrip man in its action. It will permit solution of the most complex of situations.

How far will this go? Certainly it will include thinking processes which are repetitive. Certainly it will "think through" and execute wherever situations can be preanalyzed and stored in electronic memory. Maybe this will include situations which today would be considered as creative thinking or at least in the border area of the creative. This may be so for the materialistic, the scientific, and the humanistic — for all the arts and sciences.

Where will this stop? I for one do not now predict. But let me express a feeling—it is no stronger than a feeling. Electronic performance surely has a limit, although too far away to discern at present, but man's mind has no limit in fundamental creative thought and thus will always remain supreme.

I have discussed selected matters relating to the theme for this conference — Electronics for Defense and Industry. In closing let us think for just a moment of matters basic to the environments we shall find ahead. As we move through the years which separate us from one National Electronics Conference to the next, all individuals and all groupings of individuals in the free world will add their respective contributions, defining and determining the complicated paths of defense and peace. May those paths be directed so as to move away from the acts of or even the threats of war. For our part, in our great country, our actions to preserve and guarantee peace depend in no small part upon—

(1) The faith we carry in our hearts—that faith which we propose, if necessary, to defend.

(2) The vision we carry in our hearts—that vision which inspires us to uphold our faith and which will inspire others because of the vision we display.

(3) The fervor we carry in our hearts—that fervor which carries us in acting our faith—actions to assure the dignity and freedom of the individual.

These we need more than we may think!

Halsey, Stuart Offers Cinc. Enquirer Debs.

Halsey, Stuart & Co. Inc. is offering $3,500,000 The Cincinnati Enquirer, Inc., 15-year sinking fund debentures, 5%, due Aug. 1, 1967, at 100%.

A sinking fund is provided, calculated to retire over 57% of the debentures prior to maturity. For this purpose the debentures are redeemable at their principal amount and for other purposes they may be redeemed at prices ranging from 105% to 100%.

The proceeds from the sale of the debentures, together with proceeds from the sale of $2,500,000 convertible junior debentures and from the common stock currently being sold by the corporation, have been applied to the payment of a loan of $7,600,000 incurred for the purchase of The Cincinnati "Enquirer" newspaper.

The Cincinnati Enquirer, Inc., was organized by a committee of key employees to purchase and operate the newspaper known as The Cincinnati "Enquirer." Since 1930 the "Enquirer" has been the only morning and only Sunday newspaper published in Cincinnati. It published its first edition in 1841 and its first Sunday edition in 1848.

Daily circulation of the Cincinnati "Enquirer" has grown 42% in the last 10 years and now totals about 183,000 daily. Its Sunday circulation during this period has increased to 270,000, or 22%. The paper's audited daily circulation in each of the past five years has exceeded that of each of the Cincinnati afternoon newspapers. The "Enquirer's" advertising linage in Cincinnati has grown from 39.5% of the field in 1942 to 45% in 1951.

Edwin J. Moelmann With Hallgarten & Co.

Edwin J. Moelmann

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Edwin J. Moelmann has become associated with Hallgarten & Co., 231 South La Salle Street. Mr. Moelmann in the past was Chicago manager for Spencer Trask & Co.

Continued from page 4

The Over-the-Counter Market

of close, active over-the-counter markets.

In the twenties, the use of the Morse Code was the accepted vehicle in the transmission of messages from one office to another. While some of these systems still exist, the use of the telemeter system, which was perfected early in the thirties, is by far the most popular means of fast communication. Nearly all large firms with out-of-town branches have their own private leased wire systems.

These private wire systems, along with the use of the TWX, long distance telephone, and Western Union, assure the prompt spreading of financial and world news and of changes in the quotations in the over-the-counter market. The result of this faster communication is that buyers and sellers can be brought together in a matter of minutes, no matter how far apart they may be.

This speedier communication has also been a great factor in the narrowing of the spread of over-the-counter markets, and the resultant increased trading volume of over-the-counter securities. Most active over-the-counter securties are now traded at a spread of only ¼ to ½ point. In the past, a much higher spread prevailed.

Thus, as a result of these closer markets and more active trading, we now have an active, broad, liquid market which functions with facility—in contrast to the vague, uncertain, inactive markets that prevailed not so long ago.

Publicity

Publicity is defined as information designed to advance the interests of a cause, usually appearing in public print.

Over-the-counter quotations are well publicized, even increasingly so. Liquidity of a market depends greatly on the availability of accurate and current quotations.

The stock exchanges, through the use of ticker systems, have for years been able to publicize the stocks and bonds listed on their exchanges and the activity of these securities. In addition, newspapers for years have carried complete compilations of the daily trading on these exchanges.

There is no such system available to the over-the-counter market so other methods must be utilized.

Many years ago, when the telephone was a luxury and not a necessity, successful traders made a habit of walking from office to office making notations of the wants and offerings of rival firms. It was also necessary to watch the advertisements in newspaper and financial publications carefully, noting the firm name and the security advertised. All this information was carefully filed and often led to a successful trade weeks or months later.

The advent of the telephone as a financial necessity, naturally, made the gathering of such information a great deal easier—but it still necessitated a great deal of laborious work.

Early in the nineteen hundreds, a monthly service was edited, showing the wants and offerings of many dealers all over the country. However, as time went on, trading volume increased amid much greater activity, and the need for an accurate daily publication became extremely acute.

Thus, it was in 1913, that the National Quotation Bureau was formed. This service plays a most important part in the daily life of the financial worker. Since its inception, it has grown in size until, now, some two thousand dealers from all parts of the country advertise their wants and offerings daily. An average of some four to five thousand quotations are quoted daily and, on some occasions, this number has been as high as ten to twelve thousand quotations.

This service furnishes a daily comprehensive compilation of the latest dealer over-the-counter bids and offerings.

These lists of quotations are made up each day by the respective subscribers. They are picked up by a runner for the service, carefully edited, printed and delivered complete to the subscriber the next morning. Each issue is listed alphabetically and is followed by the name of the firm interested in the security, with that firm's bid and offering or his trading market indication. There is also listed the firm's telephone number and his teletype number.

Practically every dealer and bank in the country subscribe to this service and use its facilities extensively.

The service is issued daily in New York, Chicago and San Francisco. Each of these central locations carries quotations of securities which are local in character, and those in which there is an active market in that particular section of the country.

In addition, the National Quotation Bureau maintains a library for the convenience of subscribers who are in need of a quotation for a certain security on a specific date, days, months or years ago. This proves very valuable when it comes to the settling of estates, as accurate as-of quotations must be obtained.

While the National Quotation Bureau includes in its daily service, a list of municipal and government securities, of far more importance to the Municipal Bond market is a quotation service called the Blue List.

This service was organized in 1935. It serves the same essential service to the municipal trader and buyer as does the National Quotation Bureau to the remainder of the financial field. Some four hundred dealers use this service, and advertise some eight hundred to a thousand issues daily.

It is worthwhile mentioning, here, that many dealers in this field do not feel the necessity of advertising their needs. State and municipal issues are generally high grade issues which are bought mainly for the tax feature and certainty of income. As a result, once these bonds are placed, they rarely have much turnover. Furthermore, firms who deal exclusively in government, state and municipal issues are not required to register with the Securities and Exchange Commission, nor are the issues that they deal in. As a result, less publicity is given to day-to-day dealings in this field. The above factors result in a relatively small publicized daily list, with the new issues and active large issues predominating.

Publicity is furthered by the quotation and offering sheets that are made up periodically by individual firms and which are mailed out to a complete list of dealers, brokers and institutions. Many a profitable trade has occurred as a result of these lists.

Dealers, also, often advertise in the newspapers—sometimes only locally, but often, on a national basis. Some national magazines are also occasionally used for advertising purposes.

The list of quotations of over-the-counter securities carried by newspapers has also been growing continuously, evidencing the value of publication of the markets of this tremendous market.

It is fitting, here, to mention the value of the Dow Jones News Ticker to the financial community. Operated in conjunction with the "Wall Street Journal," this news ticker keeps the financial world abreast of all important corporate news, as well as all important national and international news. Nearly all of the larger firms use this service, and many a profitable transaction has benefited those who keep a careful watch on its up-to-the-minute news.

Trusts

The value of the investment trust to the over-the counter market should never by underestimated.

The portfolios of these trusts consist of large amounts of both listed and unlisted securities. These securities are constantly being added to, reduced, or eliminated from the portfolio. As eliminations take place, new securities are bought to replace them.

This constant turnover exerts a great influence on the over-the-counter market. The trusts are anxious to buy or sell at net prices, whether the security be listed or not, and as a result, enter the over-the-counter market in an endeavor to do so. They are one of the best customers of the larger over-the-counter firms and their business is avidly sought by all. They serve no small part in maintaining and activating the over-the-counter market.

Secondary Distributions

Secondary distributions are an important means of revenue to all dealers. These distributions are generally consummated in the over-the-counter market.

The size of a secondary offering can run from one consisting of a small number of shares, to one involving thousands of shares. In the latter case, the seller is generally an estate, an institution or a large stockholder.

If the offering emanates from management or control, it must first be registered with the Securities and Exchange Commission.

A secondary distribution is the method employed in the liquidation of large blocks of outstanding securities, when regular market channels are not broad enough to absorb the offering without undue sacrifice in price.

The advantage to a seller using this method of sale lies in his ability to obtain a set price for his entire block of stock.

Speed of distribution is highly desirable as it enhances the reputation of the dealer making the offering.

In the case of a secondary distribution of a stock listed on an exchange, it is necessary to get the permission of that exchange to enable its members to participate in the distribution. This permission is given only if, in the eyes of the exchange, the security cannot be readily sold on the exchange in the normal course of business.

Trading

There is nothing mysterious about trading. A sixth sense is not a requisite to become a trader. There are, however, certain attributes which are extremely helpful, if not absolutely necessary, if an individual is to become a skillful trader.

A trader does need sound training and plently of experience. He must have an excellent memory. He must have the ability to make instant decisions. He must have a lot of plain common sense and a very flexible mind. A trader's responsibilities are great and his duties are heavy. He is charged with representing his firm in the professional over-the-counter market. He must conduct himself with dignity, unquestionable integrity, and use his ability to the utmost. With the responsibility of making primary markets and entering into commitments for his firm, he must at all times exercise sound market judgment.

Trading, in general, with particular emphasis on position trading, is a highly specialized line of endeavor. Let us see just what knowledge must be acquired before one becomes adequately equipped to enter this highly competitive field.

He must:

(1) Learn how to obtain quotations and what these quotations mean; whether or not they are markets or simply quotations.

(2) Acquaint himself with a working knowledge of hundreds and hundreds of securities. He will learn where these companies are located and the names of the companies' bankers.

(3) Learn the names of investment bankers and dealers all over the country; whether or not they maintain trading positions and how, and through whom, they execute their orders.

(4) Attain a real working knowledge of cage procedure, that is, the method of delivery and receiving securities; how dividends are paid and how they affect the price of stocks; how interest is figured and how that applies to the price of bonds; the meaning of flat, plus accrued interest, or plus accrued dividends; how call dates enter into trading; how to figure local state and Federal transfer stamps and how they affect trading; what the meaning is of "regular delivery" and "delayed delivery"; what a buy-in is and what to do about it.

(5) Realize that over-the-counter trading dovetails so closely with stock exchange trading that he must have an intimate knowledge of the mechanics of stock exchange procedure. It is most important that he be extremely well informed of the complexities of those institutions.

(6) Have a reasonable working knowledge of the workings of the investment banking business in general; how the buying department and syndicate department operate; how competitive bids are made, and how to operate a position at the time of competitive bidding; how to use statistical manuals and obtain pertinent information from them.

(7) Learn the technique of secondaries — how to operate one; how to ascertain the market effect on the security in question and whether or not it would be advisable to participate in that secondary.

(8) Obtain a knowledge of the rules, as they affect trading, of the Securities and Exchange Commission and of the National Association of Securities Dealers.

(9) Learn the names, and make the acquaintanceship, of hundreds of traders—not only locally but those in other cities as well. Learn the peculiarities of these traders—whom you can be frank with and

those with whom you must be careful.

(10) Learn how to make a market from a position; the size of a market, the ethics of trading, etc.

(11) Learn all about arbitrages and their ramifications. "Arbitrage" as defined by the dictionary is the simultaneous buying and selling of the same things in different markets in order to profit by the difference between the prices ruling in such markets. As the trading fraternity now uses the word, this definition is not strictly adhered to. Today, in what is termed an arbitrage operation, the buying and selling is not necessarily done simultaneously in the same market, and the same securities are not always bought and sold.

An arbitrage involving rights or warrants is the purchasing of those rights or warrants and the selling against them of an identical number of shares or bonds which they give the privilege to subscribe to.

In an operation emanating from a reorganization or divestment program, where new securities are offered in exchange for old, or where securities of underlying companies are distributed, an arbitrage is created by purchasing outstanding securities and selling the new.

Working in the over-the-counter markets are the trading departments of both dealer firms and brokerage firms. The primary difference is that the dealer buys and sells for his own account, whereas the broker buys and sells for the accounts of others, working on an agency basis. There are times, when one assumes the role of the other, but the basic capacity under which they conduct their business is sharply defined.

A trading department can be operated in three ways. It can be maintained solely to conduct a professional trading operation. It can be maintained simply as a service department for the sales and other departments of the firm, or it can be a department which is maintained and charged with both responsibilities.

There are very few firms of any size that are organized solely for the purpose of professional trading. A great deal of capital is needed and the overhead is very high.

A great many firms do have trading departments which are used solely as a service department. Their's is the responsibility of keeping the organization supplied with quotations, offerings of securities in which the firm is interested, and the executing of orders flowing through the firm.

The last named department, that which operates as a combination of professional trading and service departments, is by far the most important of all, and is the one which we shall dwell upon the most.

Dependent upon the financial capabilities of the firm and the size of the operation desired, these departments are staffed with from one to thirty or forty traders. Their inventory positions in some cases run into the millions of dollars. Some operate only locally, others are national in scope.

These departments are organized and maintained with a dual purpose in mind—to make a profit from their operations and to service the sales departments. It should, at all times, maintain a relationship of complete cooperation with its sales department. It must be on the alert to help stimulate its firm's retail distribution by the judicious purchase of securities for inventory. It must develop trade ideas, execute orders to the advantage of its customers, watch market trends closely and keep itself posted on all matters pertinent to the financial world.

The retail and trading departments must work so closely together that a spirit of teamwork and harmony must be in evidence at all times. Each must utilize the other to the fullest extent in order to realize the greatest benefits from each individual's efforts.

Certain firms are specialists in a certain type of security. You will find many firms who specialize in only state, municipal and government securities—others in railroad and equipment trust issues—others in only high grade bonds—some only in stocks. Only a very few, relatively speaking, are large enough and have a sufficient amount of capital to thoroughly cover all the leading types of securities in the over-the-counter field. In each case, no matter how much ground the firm covers, you will find it staffed with traders who are specialists in their own field.

Just what is a professional trader? Broadly defined, he is one who trades securities with banks, brokers and other dealers from a base position which is maintained by the making of primary markets.

Again, dependent upon the size of the firm, these primary markets may run into the hundreds and may involve positions of millions of dollars.

Coverage may extend from a firm doing a purely local business to one who, through its wire system, completely covers the country. Daily volume is tremendous and transactions run into the hundreds. Such a department, properly staffed, ably directed and efficiently operated can be of major importance to a firm in collateral advantages, as well as contributing profitable productions.

The actual running of positions and the making of primary markets require close constant attention. The exchange tape must be watched at all times. Many traders pride themselves on being able to "read the tape." That is, to be able to ascertain by watching the tape, which may the market is likely to move. Over-the-counter security prices are very sympathetic to stock exchange fluctuations.

Financial columns must be closely read and corporation news must be digested continuously. The individual corporation must be watched carefully for any pending corporate changes or change in dividend policy.

Local, political and international news must be absorbed as, very often, it can have a definite bearing on the market.

Primary markets are established to obtain profits from in-and-out transactions within the market spread but, mainly, to enhance the value of a base position.

The maintaining of primary markets from either a long or short position necessitates the use of certain technique and fundamental principles.

Large volume, rapid turnover of inventory and short swing profits should be the objectives of a professional trading department. To obtain these objectives, certain basic principles of operation must be followed.

Continued liquidity of position is of prime importance. To buy into a position where you could suddenly find yourself without an opportunity to sell should be strictly avoided.

Maintaining a base position, scale down buying, generally speaking, should be avoided, whereas, buying on a scale up is quite desirable. In the first instance, the position has a loss from the outset. In the second, just the reverse is true. Losses should be taken quickly, but profitable items should be allowed to run.

Close competitive markets should be maintained at all times. A fair size unit of trading must, of necessity, go along with the close market. Close markets of size invite inquiry and a trader soon becomes known for his markets and the size he will trade.

Trend is of paramount importance. To be successful, a trader must follow trend practically all the time. In trading, as in any other business, there is only one law to follow and that is the law of supply and demand. When the buyers are more aggressive, the price of a security rises, when the sellers are more aggressive, the reverse is true. Traders who attempt to trade from value can be successful some of the time, but the trader who follows trend continuously, is the trader who is uniformly successful.

California Oregon Power Stock Offered

A nationwide syndicate jointly headed by Blyth & Co., Inc. and the First Boston Corporation offered publicly yesterday (Oct. 8) 250,000 shares of common stock of the California Oregon Power Co. at a price of $26.35 per share.

Proceeds from the sale of the common stock, together with the proceeds from the proposed sale of $7,000,000 of first mortgage bonds, 1982 series, which the company expects to offer at competitive bidding later this month, will be used to refund $12,000,000 of bank loans which the company obtained to finance its current construction program. Such additional net funds the company may receive will be used to reimburse the treasury for income expended for plant additions.

The California Oregon Power Co. is an operating public utility incorporated under the laws of the State of California. Its principal offices are in Medford, Oregon. The company is engaged in the production, transmission, distribution and sale of electricity in the southern part of Oregon and the northern part of California.

Due to a continuing increase in the business activities and population in the areas served by the company, there has been an increase in sales to residential and industrial customers and a reduction in sales of electric energy at wholesale.

This necessitated a large construction program, which includes the expansion and development of the hydroelectric potential of the upper Umpqua River and its tributaries in Doublas County, Oregon. The plan covers the construction of eight hydro plants in the North Impqua project area, five of which are on that river and three on tributaries in the immediate vicinity.

Shields Adds to Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — John C. Tanza is now with Shields & Company, 510 West Sixth Street.

Continued from page 5

Government Ways Of Attacking Profits

much with any one of them without affecting the others.

This is all the more important in such times as these, when the effort of government is toward controlling selected parts of the economy. The trend toward more and more regulation of our essentially free economy has been excused as being necessary to meet the many and abnormal situations which have confronted us in recent years.

Problems of "Garrison State"

Today, for the first time, we are faced with the problems of a garrison state in peacetime. Because of the indefinite duration of the defense period ahead, we have set up a state of semi-mobilization. Our nation is producing certain amounts of war materials, and fighting a localized war, as well as maintaining a fair level of production for civilian use. This is a unique situation for our country. It illustrates the new complexities confronting us in this so-called postwar world. We are living in a state that is neither war nor peace.

Meanwhile we are spending more than twenty billion dollars in this year alone on Federal nondefense activities. This reminds us that government itself produces nothing; it can only spend and use up what its citizens produce individually and collectively. In the last analysis, our ability as a nation to carry the burden of necessary defense and civilian needs, as well as a vast category of public services whose necessity might be questioned, rested upon our ability to maintain a thriving, productive civilian economy.

Three Enormous Jobs

We are asking ourselves and our country to do three enormous jobs:

The first of these is to provide the arms and the manpower to settle the Korean War. American men are being killed in this war; already it has taken a dreadful toll of more than 115,000 casualties.

The second demand being made upon our resources is the long-range defense program. It is estimated by some authorities that it will have cost more than $200 billion by the end of 1954; and there have been forecasts that even after that it may well continue to cost us as much as $20 billion annually, even if there is no war. When you consider that the total money cost of World War II was about $330 billion, or less than twice as much as our current defense program, you realize why the burden of such a program is bound to affect our lives profoundly. These effects are already apparent.

The third huge claim upon our resources and our efforts is related to the first and the second. It is our world-wide program of economic and military aid to foreign countries. For the current fiscal year alone this program will cost more than $6 billion. This is about as much as was spent annually for all cost of our Federal Government 20 years ago, even allowing for the cheapening of the dollar that has occurred since then.

Without attempting to debate the merits of these three vast undertakings, it seems to be in order to consider how they can be done without weakening the very same economy that we expect to perform such tasks, as well as to do the many workaday jobs that must go on in our busy, complex life.

Russia Has Huge Resources

The great spirit and power of America are appreciated by everyone. But they did not come from mere possession of material resources. The Soviet Union also is a land of immense resources, yet the Russian people exist under the lowest standard of living of any great power. There must be some other reason why one people, occupying a land rich in raw materials, becomes great and free and dynamic while another, also occupying a land of natural wealth, lives in slavery, poverty and fear.

What is the factor which enabled Americans to translate their basic resources into so fruitful an economy and so free a society?

It is our freedom of enterprise, the priceless ingredient of our society. This freedom has let us outproduce all others in the world. Even in the trial of war it has performed superbly without letting the civilian economy suffer unduly.

Up to now our economic and political order has survived war, the threat of war, and the competition of totalitarian, socialistic economies. Invariably it has performed best when allowed to operate with a minimum of restrictions. Ill-advised and unnecessary tampering can in time dry up its basic productive force, which is the incentive of profits. Profits are not only the incentive to produce, but they provide means for more production.

Importance of Profits

Without profits to turn back into the economic system, it withers and weakens. Profits are not something withheld and hoarded. They are spent. They buy new machnery, build new plants, develop new products, create new jobs.

I can be more specific by talking about Chrysler Corporation. In 1951, alone, we added land, buildings, equipment and tools to our operations which cost $146 million. These improvements were made to create better products, more jobs and greater manufacturing efficiency.

This sort of reinvestment in our company is typical of the process, continuous as life, which spells growth and greater productivity. For example at the end of 1945, Chrysler Corporation operated with about 19 million square feet of plant floor space; today we use more than 31 million square feet.

Put another way, Chrysler Corporation since the end of World War II has undertaken a program of modernization and expansion of its facilities, a large part of which has been completed, involving the expenditure of over a half billion dollars.

The petroleum industry has invested in its business some $15 billion in the same period and, I understand, plans to spend another four billion in 1952 alone. This capital expenditure is the reason why the American oil industry is able today to supply an American market now consuming 48% more motor fuel than in 1946. Here, as so often in the past, American enterprise has accepted and met the challenge of new demands.

American corporations, last year, plowed back more than nine billion dollars from the amounts they were allowed to keep from their income, after taxes and expenses. Furthermore, American corporations last year raised an additional $10 billion from the sale of stocks and bonds, and from mortgages and loans. This was used to help pay for better and expanded facilities, thus improving products and creating new jobs.

These immense amounts of money, reinvested in American business, had to come from the profits of business and investors, mostly average citizens, who have confidence in the record of American business, past, present and promised.

When we look at what happens to American business, we see that it doesn't happen to some remote corporation. It happens, directly or indirectly to everyone who works for a living, who buys the products of American firms or who enjoys the unique material benefits and the opportunities that American enterprises have made possible.

Attacks on Profits

Excessive taxes and controls are two principal means of attacking profits, and through them, the whole structure of our better way of getting things done. Controls have already placed in government hands centrally many of the powers of decision that used to be exercised by individual businessmen, each in his own way and at his own time.

First take taxes. Last year American corporations earned about $43 billion; more than $24 billion of these earnings evaporated in taxes. A list of 24 major American companies, including Chrysler Corporation, shows that in 1951 Federal taxes alone, in each case, took from more than half to two-thirds of each company's earnings. At Chrysler, net earnings after taxes, were about $72 million. Federal taxes on income were about $79 million.

This tax load was nearly four times the sum paid to our stockholders. It is a sum equal to almost two-thirds of wages paid to Chrysler employees in 1951.

The amount that any company may reinvest in its business, to improve its product year after year, depends upon a few basic factors. One is its ability to increase productivity. Rising productivity is the key to more and better products for more people at less cost. It means a chance to earn the money that must be poured back into research, development and plant improvement. Controlled production stifles such growth.

Another related factor is the amount of such earnings a company can keep. If taxes wipe out more and more of a company's income, it is obvious that there is less and less to put back to work.

But, notwithstanding the increased tax drain, American business is demonstrating its resourcefulness in doing a remarkable job of making our production machine bigger and better.

Government: Unseen Partner

I am confident that businessmen will not shirk their responsibility to continue this growth, but they are finding it increasingly difficult to do so as government—an unseen partner without responsibility for the successful management of the company—cuts itself in for a greater share of the profits than a company itself may keep.

All businessmen today are concerned by this situation. They see plenty of examples of others who failed because they did not reinvest enough of their earnings in their businesses. Today, they wonder what will happen to companies that are not allowed to reinvest enough of their earnings no matter how much they want to.

I often think of something Mr. K. T. Keller, our board Chairman and now also Director of Guided Missiles in the Office of the Secretary of Defense, has said about the many hundreds of companies that have appeared in the motor market. Only a handful are left. Many of these companies failed, Mr. Keller very properly says, because their managers and owners did not realize that in order to survive and grow, they had to plow back earnings into their companies. They failed to improve their facilities, their product and their markets; and they went out of business.

In those days, taxation did not rob them of the earnings they could have reinvested. But today taxation in some cases actually compels a business to forego improvements and advancements which should be made. Even the best kind of management, engineering, production and marketing cannot forever overcome such a handicap, imposed from outside.

Taxation, if carried far enough, could accomplish the same havoc that only ignorance, inability and shortsightedness were able to do in the past.

I think of this when I remember that almost three-fifths of our country's corporate earnings go into Federal taxes.

Government's Stake in Profits

Government itself has a big stake in the maintenance of a healthy profit situation in our economy, if for no other reason than for the purpose of raising taxes. And the bigger government grows, the bigger its stake. No government can be sound which challenges in size the economy that is expected to sustain it. Big government, such as we have now, has a fantastic appetite. Earnings, in one form or another, sustain it. The effect of lower profits quickly shows up on big government's bill of fare. That became apparent last year when the Federal government estimated that corporate profits would be at a rate of almost $52 billion, from which it anticipated taxes of more than $31 billion. But—as a result of numerous restrictions; price, credit and production controls; as well as burdensome taxes—all of which government itself imposed—there were taxable earnings of only $43 billion; and these yielded nearly seven billions less in taxes than were expected. In our dual defense and civilian economy, lower profits mean less tax money to pay for our defense needs.

The other restraint on the effective service of business, which I mentioned earlier, and under which our system now labors, is the burden of some controls which I do not think can be justified by our present state of emergency.

The great difficulty facing the controllers, which they have not yet been able to eliminate no matter how sincere they may be, is that all their decisions affecting a future time cannot be separated from a considerable element of guesswork; but those who control an economy must act nevertheless.

The leaders of the biggest businesses in the world, who have spent lifetimes making decisions, never have to act in matters on which as much depends. Even where wrong guesses are made by one concern, others usually are quick to move in competitively,

and so offset the damaging effects on the economy.

But when wrong decisions are made by big government, there are no competitive forces within the country great enough to offset the damage. And none of us can escape the consequences.

If only inconvenience were involved, the situation might be more tolerable. One might even dismiss with a smile such announcements as this one from the Office of Price Stabilization. It stated that the office was issuing Amendment 1 to Revision 1 to Supplementary Regulation 15 to Ceiling Price Regulation 22, allowing the price of horse meat sold for dog food to stay where it was!

That somehow reminds me of a certain doctor's diagnosis I heard about. His patient had a rash on his hand and asked the doctor to examine it. The doctor looked at it, thumped it, X-rayed it, put a tissue sample under the microscope, took the patient's temperature and blood pressure, sat off and stared at him, touched his finger tips together, ahemed, and finally said:

"Ever have a rash like this before?"

"Yes, I did," answered the patient.

"Well," announced the doctor, "you've got it again."

But the control situation has meant more than inconvenience and the occasion of jokes. Much mischief has come in its train and, perhaps, more critical things than merely mischief.

Dangers of Controlled Economy

Unreasonable controls can hamper our efforts to do our job in defense and civilian production. They can freeze competition to a standstill by substituting production quotas for the customers' "votes" in the market place. And competition is basic to enterprise. Sometimes restrictions get out of hand. Last winter, for instance, the government experts were insisting that there was a grave steel shortage. At that very time, I was receiving calls from presidents of steel companies who were trying to sell more steel to Chrysler Corporation. Mills were looking for customers for their increased output of some types of steel. I reported this fact to the proper governmental authorities. These sincere men nevertheless insisted that their figures showed there was a steel shortage. And that was that. It was many weeks later before the truth trickled through the bureaucratic machine and allotments of steel were increased. Much the same story could be told about the aluminum and copper situations.

It is significant that some important labor union leaders are also worried about the developing controlled economy in our country. Last winter the AFL executive council expressed concern over the Controlled Materials Plan because it has controlled practically all metal producing and using industries. If official forecasts of at least 10 years of defense prove correct, the council said, "this would mean a generation without training or experience in private enterprise—the most valuable possession of our nation."

The rewards awaiting us for giving competitive enterprise and its wonderful technology a chance to operate in their proven way are immense. If war must come, our way will do more to win for us than any other way can. If peace can be maintained, our unique economic methods, given half a chance to operate without shackles, promise a life of abundance and security.

Value of Incentives

Yet the detractors want to substitute other ways of doing things that are as old as history, ways that have repeatedly been discredited, that have repeatedly failed to provide rewards inherent in our free economy. They want to substitute a reactionary society for our modern, youthful, dynamic way. They peddle a modern brand of feudalism and call it by a new name. They deride our proved way and call it old. And this myth has been swallowed by some of the same people who enjoy more under our society than they could hope for under any other.

One of the biggest stumbling blocks to attaining the rewards our way of doing things holds out for us, is a lack of faith in it. Our enemies have done a pretty fair job of discrediting private enterprise among the unthinking. They have led some people to forget that our way of getting things done is the newest, youngest, most dynamic the world has ever known. Our way is the real revolution. It offers more rewards than any other, for a given amount of effort put into it. It has repeatedly demonstrated that it can carry bigger loads and deliver higher performance than any other.

Isn't it ironical that the best method of doing things the world has ever known should be beset by obstacles and hindrances mistakenly imposed in an attempt to make it do even more? It is a strange situation that concerns all of us who realize that in proportion as control becomes stifling, as taxation moves from its revenue-producing function and becomes restrictive, the ability of our economy to perform is reduced.

What's the Answer?

Now, what can we do about it? In fulfillment of our obligations as citizens, we can require of our leaders that the retreat into the reaction of old, feudal systems of control and ruinous taxation be halted. We can demand that in these troubled times there be a moratorium on the government's pouring out our substance.

As citizens aware of the peril facing our nation and the fantastic demands upon our resources, we can insist that our leaders exercise the utmost prudence in spending our money, and all the labor it represents.

Above all, we can make it clear that it is our wonderful and fruitful enterprise economy that, in the long run, best marshals our efforts and utilizes our resources to make all our immense undertakings possible. We can make it plain that our way of doing things was built by, and thrives on, incentives to perform and improve. If we remove these incentives and substitute controls, we cannot expect continued performance and improvement.

Some people seem to have forgotten that the core of our material strength is our free economy. Let us remind them that we have not, and that we do not want to face the dangers of the future with our strongest weapon dulled and encumbered. Let us be vigilant that measures taken in the name of strengthening our economy do not end up by making it weak.

Our American way of doing things better has never failed us, when given a chance. Let's see that it continues to get that chance.

Norton P. Rogers, Jr. With Adams Hinckley

NEWARK, N. J. — Adams & Hinckley, 24 Commerce Street, announce that Norton P. Rogers, Jr. became manager of the municipal bond department as of October 1st, to specialize in New Jersey municipal and revenue issues. Mr. Rogers formerly was head of Rogers, Gordon & Co. and more recently with Rand & Co. He has specialized in New Jersey municipal bonds for the past 25 years.

M. A. Manley, Jr., With Manley, Bennett Co.

DETROIT, Mich. — Manley, Bennett & Co. announced that Milton A. Manley, Jr. is now associated with their Sales Department after spending a year with the firm's New York correspondent Baker, Weeks & Harden. While in New York he took special training covering all phases of the brokerage and investment business at the New York Institute of Finance.

M. A. Manley, Jr.

Manley Jr. graduated from Michigan State College in June 1951 after serving in the United States Coast Guard. His new assignment brings him to the firm founded by the senior Manley and Edward T. Bennett in 1932.

New officers of the organization are at 1100 Buhl Building.

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Let Us Extinguish The National Debt

national output which, for the last four decades, has increased at the rate of about 3% a year. It may also measure the breathing spell granted us before the forces opposed to us think they have sufficient strength to launch an all-out war against us. Freedom from debt would constitute a great reservoir of defensive strength.

In broad outline, the retirement of the debt can be reduced to an understandable and relatively simple problem. It is difficult to tell from government publications exactly what the net debt is or how fully collectible are the items which partially offset the gross debt; and, of course, the gross and net debt are continually changing. But if it be assumed (1) that the net debt to be retired is an even $235 billion, which may be approximately correct at present, and if it be assumed (2) that the debt is to be retired by a program comparable to the amortization of a 25-year direct reduction mortgage, and if it be assumed (3) that the overall interest rate throughout the entire period be computed at 3% a year, then, on the basis of those assumptions, an annual payment of $13,375,000,000 would retire the debt in 25 years including all interest costs. If the overall interest be calculated at 2½%, the cost would be $12,651,000,000 a year. As the current cost of interest on the public debt is a fluctuating figure in the vicinity of $6 billion a year, it would require only a little over $7½ billion a year more than we are now paying in order to extinguish the entire national debt in the next quarter century.

Even allowing for a considerable variation in these figures, the problem does not seem impossible of solution of resolutely handled. According to most responsible authorities, it would be possible to save these extra few billions each year merely by the elimination of waste and without impairment of our national defense or any essential Federal function. If every Federal function which competes with private enterprise were to make fairly competitive charges for services rendered or commodities sold; if moneys loaned should be loaned at fairly competitive interest rates; if grants, subsidies, and special privileges should more generally be made self-liquidating, these increased revenues alone might retire the public debt, stimulate private enterprise, and permit reduction in taxation.

By analogy with a 25-year direct reduction mortgage at 3%, and if the net debt be assumed to be $235 billion, the total annual payment for interest and principal, as previously stated, would be $13,375,000,000 a year. In the first year, the interest would cost $6,960,700,000, leaving $6,414,300,000 for debt reduction. By the fifth year, these would have shifted to $7,252,100,000 for debt retirement, up to $12,342,200,000 in the twenty-fifth year. Thus in the first decade, the actual retirement would be $73,893,400,000; $99,726,950,000 in the second decade; and $61,379,650,000 in the last five years.

It is not suggested that the entire public debt be forthwith rewritten on a flat-rate amortization basis, but rather that its equivalent be achieved by a definite, but rather simple, program of annual debt retirements and refundings to which the present pattern of outstanding obligations would readily conform. If some definite, workable, long range program should be adopted to retire the public debt in uniform, predetermined, annual payments, the tonic effect on our entire economy would border on the miraculous. The hope of devising and executing such a program rests chiefly with the bankers of the nation. The long range value of such a contribution to the public welfare can scarcely be overestimated.

Thrift Education and Public Relations

Thus far, this discussion has referred to broad subjects in which the individual thrift banker can take but a small part; but right on his doorstep is the opportunity to spread economic education throughout the length and breadth of our democracy. No greater economic need exists. No greater economic service can be rendered. Every thrift banker can serve in the front-line trenches in that battle.

Refining the point still further, there is a constant need to make our banking system worthy of public confidence and then to educate the public to have in us that confidence of which we are worthy. Every time our internal banking controversies are aired in public, they weaken public confidence in all banking regardless of the merits of the participants. Such a controversy at the present time holds the threat of universal harm. There is need for restraint on both sides.

Building and Loan Associations

For nearly a century, local building and loan associations have performed notable public service in fields neglected or spurned by other banking institutions. These were largely small, local groups; and during the great depression, their mortality was great. To strengthen the system, President Hoover urged the regular banking institutions to cooperate in the formation of what became the Federal Home Loan Bank system. That cooperation was not generally forthcoming, and the new system seems to have started out with something of a combined persecution and crusading complex. From its inception, however, it has had a solid core of sound and patriotic leaders who have tried to restrain the economically immature zealots in their midst. They are still at work, and their work is showing results.

In general, the bankers of the country have shown restraint in their attitude toward the bumptious youngsters whose actions have so often been annoying and whose competitive activities have all too frequently been both unsound and unethical. Whether we like it or not, the evidence accumulates to indicate that they are to be a permanent part of our national thrift system. They face some difficult years ahead, and any serious failure on their part would hurt all banks as well as all other thrift institutions. If we can offer genuine cooperation, the worst of the friction can be eliminated and a sounder system achieved. In any event, the public will be served; and if the Federals do it better than do the banks, the cure will not lie in hostility or name-calling but in improved service.

Conclusion

Modern science is learning how to see the unbelievably microscopic, but it is also learning how to see the infinitely vast. Both are parts of the same orderly universe. In our civilization and in our particular calling, we must deal with petty routine details; but let us also see the larger issues of life. In this troubled transition between two great epochs in the life of mankind, much of the tension lies in the world of economics, and much of the confusion has been the result of the abandonment of sound basic principles. In the economic world, thrift is an indispensable ingredient of all progress. In the promotion of thrift we have a high calling. Let us be true to our calling.

Continued from first page

As We See It

have come to such a conclusion long before 1950, and done precisely what the Communists did, i.e., support, train and supply Asians to oppose other Asians whose activities we felt it necessary to suppress or "contain." Failure to do some such thing—assuming that we are right in believing that our destiny is to be found on the continent of Asia—is what has cost many, many American lives, to say nothing of vast American treasure.

Broader Implications

All this is important enough in its own right. There is little wonder that throughout the length and breadth of this land, Americans are critical of what has been taking place in Korea and more and more critical of the authorities responsible for this basic blunder.

But the essential doctrine enunciated in the two paragraphs quoted is at bottom identical with much which may be said, indeed which must be said, of our course in other parts of the world. It is as true in Europe and anywhere else on the globe as in Asia that if the peoples themselves have no interest in fending off tyrannous imperialism (by whatever name called) and if they can not be aroused to their own dangers, there is not very much that we can afford to do to shape the destinies of such careless, neglectful or indolent peoples. It is commonly said that the North Koreans in earlier stages of the Korean war were "fanatical" followers of the Communist "line" and fully under the thumb of the Kremlin; that they were organized, armed and trained by emissaries from Moscow. There was and there is a very substantial element of truth in all this, and it is further true that decades and even centuries of exploitation by Western powers had cultivated and fertilized the soil for the growth of belief in communistic dogmas.

Yet if Asians could not be aroused—at least a substantial portion of them — to defend themselves to the death, if they had reached a point where they viewed Communist conquest with equanimity, we undertake a costly and doubtful venture in trying to save them against their will. But what of our European ventures? Obviously no exact parallel is to be found, but is there not an underlying kinship between the attitudes we have adopted in Europe and those of Asia? Have we not found ourselves in a position in a number of countries which differs only in degree?

In Europe

To the best of official judgment, the powers of Western Europe faced a deadly danger from the East. Very few, if any, of these countries were convinced, or even today are fully convinced, of the validity of our view of these matters. Substantial elements had adopted the notions of the Kremlin. Others were much disposed to the view that in any event we were seeing things under the bed when we worried about the possible extension of the Russian domain toward the West. All of them, or very nearly all of them, were weary of war and dispirited. We soon arrived at the opinion that we had to "save" Europe in order to defend ourselves—just as we ultimately concluded that we had to "save" South Korea in order to defend our own shores.

Hostilities, of course, have not broken out in the European area. We have troops in Europe, but they are not engaged in bloody battles as they are on the other side of the globe, but they are there in appreciable numbers, and may be called upon at one time or another to do in that theatre just about what their compatriots are doing in Asia. Meanwhile, although we have been hard at work during the past year or two trying to persuade Europeans to prepare themselves for the dangers we think we see facing them—and thanks to the work of General Eisenhower considerable progress appears to have been made—

we ourselves are carrying a very large part of the total burden.

Must We?

We might well ask whether there is much reason in a situation in which we undertake to carry the burden of defense of virtually all the world against possible active attack by the Kremlin. The question is not so dramatic, nor does the situation come so close to the natural human emotions as the one which candidate Eisenhower asked about the fighting and the dying in Korea, but the question has real point nonetheless. We may well ask whether all of our so-called Allies are really playing fair with us. Of course, it is usual to hear it said that they are still impoverished from World War II, and to hear all their troubles and tribulations enumerated to prove that they are doing their part.

The fact remains that judged by most ordinary standards, many of these peoples have not really gone to work since 1945 to rebuild and to refurbish their economic lives. An exception is said to exist in Western Germany where real progress in economic recovery is said to have been achieved, by means of the good old-fashioned method of hard and intelligent application of energy and initiative. But what of several of the others?

In a broad but very real sense we are manning the front lines in areas other than Korea. Must we continue to do so?

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The Security I Like Best

current price of 22¼; and placing the high-earning common shares in line for dividends also, in 1953.)

Only 2¾% of Gross Revenues estimated for 1952 is required to cover all Fixed Charges of about $995,000, and only 2% more to meet all contingent interest charges of about $622,250.

New Efficiency of Operations

Expense saving and new revenue producing facilities have sharply lowered the Transportation Ratio in recent years, making C. & E. I. a Class 1 railroad in quality as well as in name. Nearly $37 million was expended for Additions & Betterments during the last five years. Since 1945, Cash Expenditures alone approximated $20 million, or the equivalent of well over $45 a common share.

Included are 89 Diesel electric locomotives (replacing 145 steam locomotives) so that C. & E. I. is now 100% Dieselized affording large operational savings. For example, a 6000-hp. engine costs about $600,000. If written off under a routine 15-year schedule, annual amortization would be $40,000. On a five-year amortization, under Certificate of Necessity, annual amortization is $120,000. Based on a 50% corporate tax rate, the saving is 50% of the increased amortization of $80,000, or $40,000 yearly—or $200,000 over the five-year period, equivalent to one-third the cost of the engine. (Note: — Standard Statistics & Poor's estimates C. & E. I. will realize from rapid, five-year, amortization on equipment purchased, tax benefits approximately $2¾ per Common Share annually.) As Diesels are estimated to pay for themselves in four years through their extraordinary efficiency the above calculation shows they can actually return their entire investment cost in three years: It should be noted that, in 1949, when only 70% of train-miles were handled by Diesel power, costs were $1.02 per mile, while steam-engine operating costs were $1.52 per mile.

Other A's and B's

"To protect an increase in traffic now developing," C. & E. I. has also bought, during 1951-52 alone, 2,500 freight-cars, particularly hopper coal cars. Amortization per 1,000 such coal cars, on a straight 15-year schedule would amount to around $550,000 a year, but C. & E. I. expects to get $875,000 net out of them. Of course, Net Debits for freight-car hire, and for Joint Facility Rents, now costing well over $1¼ million annually, will gradually but steadily move toward the Credit column instead of the Debit column, as a result of this new car ownership.

Over $9 million is being spent on new loading yards and equipment. This includes a $500,000, 16-track freight-classification yard at Evansville, enabling C. & E. I. to triple the amount of freight previously handled at this important point. Also included are coal-handling facilities at Joppa, capable of transferring over 10,000 tons of coal daily from rail-cars to river barges. Now in operation, this permits coal operators along and adjacent to C. & E. I. lines, an unlimited new market for their coal all along the Ohio and Tennessee Rivers. This market will increase steadily as the Tennessee Valley Authority turns to Illinois coal fields for more of its heavy and continuous requirements.

Through these facilities, C. & E. I. will be able now to handle shipment of at least 4 million tons of coal a year to the steam-power plants being built at Joppa, and beyond, by barges. In 1950, a peak-volume year, total coal freight moved was 2,835,643 tons, which produced $4,086,583 Gross Revenue.

Gross Profit Margin

Competent analysts estimate the Income Available for Fixed Charges is headed for the 20% level, over the next few years. Should Gross Revenues in 1952 reach $35 million plus, as seems likely, (vs. $33,659,000 in 1951) the "Available" would equal $5¼ million on only a 15% basis! This would be equivalent to $8.50 per "A" share, and $6 per Common share. (In 1950, on Operating Revenues of $30,577,220, the "Available" was $4,571,197, practically 15%. This was the most profitable year, up to then, in C. & E. I.'s 100-year history!) The trend of revenues, both Gross and Net, clearly is toward maintenance at the highest level in a century of operations, with sizable gains envisaged from the present basis.

Special Situation Characteristics

The big "kick" in the C. & E. I. picture is the great electric energy pool being built by TVA at Shawnee, near Chiles, Ky, and by Electric Energy, Inc. at Joppa (the latter is a subsidiary of a group of public utility companies serving this general area) to supply power to the tremendous new Atomic Energy Corp. projects now being completed there. Tennessee Valley Authority is committed to supply A. E. C. here, with "as much electrical energy as is used in the whole City of New York." Using coal as a fuel, these steam-powered plants will consume an estimated 16 million tons of coal a year.

Other roads are making every effort to share in this huge coal-freight volume, and will, too. But C. & E. I. confidently anticipates getting at least 25%, and likely more, of it. Not only are these plants practically on its lines (C. & E. I. is the only road now serving Joppa) but in consideration of a special freight-rate for Rail-and-Barge delivery which will enable Southern Illinois mines to be fully competitive for the available coal business, C. & E. I.'s anticipation is justified.

Foreseeing the great industrial development likely to spring up around this greatest power pool in the world, C. & E. I. has bought substantial acreage along the Joppa waterfront, best natural harbor in the area; and will lease portions of it to large industrial companies to build plants there. Aluminum Co. of America, and various other chemical and iron alloys companies are among these. Needless to point out, the additional freight tonnage such plants will develop, will be of much import to C. & E. I. volume over the next several years.

Other revenue-producing developments include Public Service of Indiana's new coal-powered electric-generating plant near Terre Haute, Ind.; to be served by C. & E. I., and the Chicago Heights Area, 12 miles south of Chicago. There C. & E. I. envisages tremendous business expansion, and holds a large acreage available for private industries wishing to locate there. Victor Chemical is among companies moving in — it has just bought 30 acreas for a factory which is expected to produce 6,500 cars of freight per month. The potential increase of traffic from this area's fast-growing industrialization would provide, authorities believe, up to 120,000 cars of freight a year—besides an increase in land values through the leasing operations.

The "Seasonal Trend of Earnings" Factor

For the first six months of 1952, Net Income (after all charges prior to the equities) was $866,000 vs. $566,000 in 1951's 1st half. Based on present share-capitalization shown above, this equals $2.26 per "A" share, and $1.17 per Common Share in 1951 vs. $1.48 per "A" share, and 44c per Common share in 1951.

Over a long stretch of years, C. & E. I. has established a well-recognizable Seasonal Trend of earnings, whereby Net Operating Income is earned, by quarters, as follows: 1st Q., 21% 2nd Q., Minus 8%; 3rd Q., 28%; 4th Q., 59%.

For example, in 1951, C. & E. I.'s 1st-half earnings per share, 44c, compared with 2nd-half earnings of $2.01, or about 17½% and 82½% respectively, of full-year showing. If 1952's 2nd-half follows this pattern (and with higher freight rates in effect from May 2 on, with steel mills again in full production, and with the new coal stock-piling freight movement now getting into swing, this seems more than likely), then we may expect to add to 1st-half earnings of $1.17 per Common share, another $4.60 to $5.40, for a total between $5.77 and $6.57. (This bears out the rough estimate under "Gross Profit Margin," above.)

Price Prospects

Rock Island, Illinois Central, and Southern Railway, as examples, are all earning $1 or slightly more per share per month. Recent highs were 69; 73½; and 67 respectively, or around 5½ to 6 times earnings. If C. & E. I. winds up 1952 with earnings of $6 a share or better, it would be logical to expect a price at least five times such earnings, or 30-plus for the Common Stock. As for the "A" stock, which appears likely to see its $2-dividend requirement covered by earnings of at least $8.50 a share, it should move toward the semi-investment yield level of around 6%, indicating a price around 35 vs. present 22½, or over 55% higher, while producing a 9% yield to present buyers. These expectations are not out of line, as C. & E. I.'s 1952 performance is outstripping the Class 1 average, and dividend prospects are held out for the high-earning common in 1953.

Because of their convertibility feature, the Income 5% Bonds, selling around $840 per bond, hold powerful speculative appeal. Each bond is now convertible into 41.08 common shares currently selling under 18, or about three points under conversion parity. Obviously, if the stock moves toward the 30-level, the bonds will respond with a move of over four points for each 1-point move in the Common. At 23⅝, the 1951 high, for example, the bonds would be worth 96½ plus a likely premium, or close to 100.

The C. & E. I. situation is a favorite of mine because the issues discussed appeal strongly to all types of investors, whether interested primarily in income yield, or capital gains, or in a combination of both.

H. St. John Harvey

A fine Wall Street personality, who was known for his probity and sturdy convictions, Hamilton St. John Harvey, passed away last Monday at his home in East Orange, N. J., at the age of 74.

Mr. Harvey was Vice-President of Albert Frank-Guenther Law, Inc., 131 Cedar Street, this city, having started his connection with that advertising agency some 37 years ago, after filling an earlier assignment with the "Wall Street Journal." Mr. Harvey was also a founder and former Governor of the Downtown Athletic Club of this city.

With Revel Miller

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Francis J. Pruitt has become associated with Revel Miller & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

This week marks observance of Fire Prevention Week on a nationwide basis. The period is important as it serves to direct public attention to the yearly loss of life and property through destruction by fire.

In addition it helps to create an awareness on the part of all people about their individual responsbility to cooperate with civic organizations in the effort to prevent or minimize the loss by fire.

One of the leading organizations in the country devoted to fire prevention is the National Board of Fire Underwriters. This is an association sponsored by the fire insurance companies. As such institutions must pay the losses resulting from fire destruction, it is logical that they should be active in reducing or preventing losses through such an organization.

In spite of the intensive effort of the National Board and the modernization of fire equipment over the past several years destruction by fire appears headed for another record total in 1952.

For the first eight months of the current year fire losses as estimated by the National Board of Fire Underwriters amount to $522,790,000 as against $495,077,000 in the similar period of 1951. This is a gain of 5.6%.

Should this percentage increase be maintained over the next four months losses for the full year would reach a new record total of $771,350,000 compared with the record of last year of $731,405,000.

However, it should be remembered that this is the time of year when, because of the heating season, fire losses start to increase on a seasonal basis and it could easily be that losses for the remaining months will be higher than the 5.6% gain recorded so far. Also, there is the possibility, though not the likelihood, of some major catastrophy which could contribute to the loss total before the end of the year.

Regardless of this, however, losses are expected to continue above a year ago with a new record established for the period.

The monthly totals of fire losses as estimated by the NBFU for 1951 and 1950 and so far this year are shown below.

	1952	1951	1950
January	$74,155,000	$68,686,000	$58,823,000
February	69,925,000	69,136,000	58,340,000
March	72,254,000	71,507,000	72,468,000
April	67,380,000	62,965,000	61,605,000
May	62,354,000	58,744,000	58,765,000
June	58,585,000	56,403,000	57,116,000
July	61,675,000	52,220,000	52,980,000
August	56,462,000	55,416,000	49,878,000
Eight Months	$522,790,000	$495,077,000	$469,975,000
September		53,398,000	45,922,000
October		54,660,000	49,953,000
November		60,060,000	55,790,000
December		68,206,000	66,820,000
Twelve Months		$731,405,000	$688,460,000

Fire losses reflect the increases in prices which have been taking place over the last several years. As the cost of replacement, which is the basic insurance contract, rises, the value of property destroyed by fire also gains even though the number of fires may not be any greater.

Although better means of control may help minimize the loss by fire as long as replacement costs increase the overall totals are likely to continue to gain.

In the face of these figures, it may be difficult to see how fire lines this year will show any underwriting improvement over 1951. However, the larger losses have been accompanied by some gain in premiums so that this increased volume acts as an offsetting factor.

Nevertheless, it may be difficult, unless losses moderate in the remaining months of 1952, for most companies to show as favorable an underwriting experience as last year.

This is significant because the fire underwriting lines account for close to 50% of the normal business of fire and casualty companies. For this reason it will be a major determinant of the general underwriting results for the current period.

For most companies fire underwriting has been the major contributor to earnings in the last several years. While some of the other lines, notably automobile, have been a problem and a drain on earnings, the fire business has been profitable. Despite recent increases in costs it is still profitable. Should margins narrow significantly, however, it seems likely that some relief would be applied for in the form of a rate increase.

Fire Prevention Week directs attention to this problem and from this standpoint the period has special significance to fire underwriters.

Daniel Reeves Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Miles B. Larson has become connected with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

Joins Wagenseller Firm

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Wallace B. Alexander Jr. is now with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange.

Continued from first page

ABA Holds 78th Annual Convention

Treasurer, William B. Gladney, President of the Fidelity National Bank of Baton Rouge, La.

New Division Presidents

The following gentlemen were chosen as Presidents of the four Divisions and the State Association Section at annual meetings held in connection with the Convention:

National Bank Division — T. Allen Glenn, Jr., President, Peoples National Bank, Norristown, Pennsylvania.

Savings and Mortgage Division —Wendell T. Burns, Senior Vice-President, Northwestern National Bank of Minneapolis, Minneapolis, Minnesota.

State Bank Division — B. M. Harris, President, Yellowstone Banks, Columbus and Laurel, Montana.

Trust Division—Robert A. Wilson, Senior Vice-President, The Pennsylvania Company for Banking and Trusts, Philadelphia, Pa.

State Association Section—James C. Scarboro, Secretary-Treasurer, Colorado Bankers Association, Denver, Colorado.

Association Staff Changes

Adapting its organizational setup to the requirements of its growing activities, the Association announced through its Administrative Committee in executive session the creation of a new staff office and a shift in the titles and duties of three of its executives.

Dr. Harold Stonier, Executive Manager for the past 15 years, has been given the title of Executive Vice-President; Merle E. Selecman, a Deputy Manager of the Association and its Secretary, has been designated Executive Manager; and Henry M. Sommers, Assistant General Counsel, has been given the title and duties of Secretary. He will continue as Assistant General Counsel as well.

Under his new title, Dr. Stonier will be "the chief staff officer responsible for carrying forward the Association's policies established by the governing bodies of the organization." He will also continue to be the director of The Graduate School of Banking.

In his new post of Executive Manager, Mr. Selecman will be responsible for carrying out many of the administrative duties in the conduct of the affairs of the ABA. He will continue to manage the national conventions and be in charge of the Trust Division of the Association of which he has been the director since 1937.

Mr. Sommers will add the duties of Secretary to those of Assistant General Counsel, which he has had since 1948.

RESOLUTIONS

Following, in full text, are some of the important resolutions adopted by the Association at its Second General Session in Convention Hall on Oct. 1.

World Conditions and Foreign Policy

The nations of the earth have not found peace since the end of World War II. The activities and threats of communist forces have placed a fearful strain on all peoples throughout the world.

The strain has been the greatest source of unwise and unsound governmental policies in many countries. Sound economic recovery has been impeded and currencies have been inflated.

The United States has spent billions and billions of dollars in foreign aid hoping to ease the strain, to stimulate recovery, and to help build the defenses of the free countries.

While great progress has been made in the restoration of production and the improvement of the living standards of people in many countries, the results of our efforts have been somewhat disappointing. The mutual defense program has moved slowly. Few of our partner countries have achieved sound economies which can go forward without our continued aid.

The greatest obstacles have been political — to persuade people to resist excessive public and private spending, to balance their budgets, and to keep their currencies sound.

Unfortunately the United States has itself set an example of excessive spending, inflationary monetary policies, and budgets seldom balanced.

Government Economy

Under these conditions it is of vital importance that our own economy be buttressed in every possible way. We must balance our budget through the curtailment of governmental expenditures. A major part of our expenditures is of necessity for defense. The common goal of all loyal Americans is freedom in a decent world. So ardently do we cherish that goal that we have often shown our willingness to pour out life or health or substance for it. We can hold that mood and at the same moment look clearly at a danger which confronts us: that by pouring out life and health and substance intemperately and unwisely we can jeopardize the very goal for which we strive. The struggle which confronts us may be a long one and for its later phases we need reserves of strength. Wasteful military expenditures will lessen the military potential of the future. For this reason our military expenditures should be subject to a continuing scrutiny. That scrutiny should include an inspecting personnel provided by Congress and independent of military authority.

The need for reducing expenditures to the minimum is especially imperative because our present taxation is excessive, and if long continued will prove stifling to the economy and will slow down and impede the productivity which is America's greatest strength in the battle against world-wide Communism. Moreover, revenues drawn from an economy artificially stimulated by inflation cannot be relied upon indefinitely.

Bureaucracy

Throughout history countries which have developed huge bureaucracies have been on the way to disintegration. At present in the United States we have approximately 2,500,000 government employees, partly in the defense organization and partly to take care of civilian operations. Big government is unmanageable and inevitably leads to corruption. Bureaucratic directives having the force of law increase the costs of industry, create confusion, and hamper the economy.

One of the great needs of our country today is a reduction of bureaucracy to a point where there is no duplication, and where there is no development of new laws through the issuance of directives. Thus we may restore more fully to our people the freedoms with which they have been blessed since we started living under our great Constitution and the Bill of Rights.

The Treasury and the Federal Reserve System

We commend progress made in cooperation between the Treasury and the Federal Reserve System which has allowed a more flexible market for government securities and for other securities as well. This flexibility permits greater use of the traditional powers of the Federal Reserve System through open market operations and the rediscount rate.

Excess Profits Tax

Taxation of so-called "excess profits" is a most harmful method of raising money for government use. It is impossible to create a law for the collection of such taxes that will be fair to all concerned or in the public interest. Taking of profits calculated in some arbitrary fashion as "excess" from business has two serious effects: (1) it induces carelessness in expenditures and so increases costs and stimulates inflation, and (2) it handicaps business in building capital needed for further production.

The "excess profits" tax should be terminated not later than its expiration date on June 30, 1953.

Federal Savings and Loan Associations

We shall continue to press for and will propose remedial measures to correct any abuses existing through permissive rules, regulations, and the circumvention of states rights in order to adjust the practices and operations of Federal savings and loan associations to reflect more clearly the worthy purposes for which they were originally created. We insist that the public should not be confused or misled through publicity or advertising as to the real and substantial differences between savings and loan associations and our banking institutions.

Inequitable taxation unfairly distributes the tax load now imposed and action should be taken to adjust the burden, giving due consideration to different types of corporations, including financial institutions. One course of action is the elimination of the excess profits tax as above proposed.

Equity can be carried further by the elimination of double taxation on all corporations which causes increased costs and militates against the production of goods and services, all at the ultimate expense of the public. This accomplishment could be of material advantage to the consumer and producer alike.

Nation's Leaders Are Guest Speakers

During the meeting the bankers heard addresses by a galaxy of leading representatives of the government, industry, education and their own business. Among these guest speakers were Secretary of the Treasury John W. Snyder; Comptroller of the Currency Preston Delano; Senator A. Willis Robertson; retiring ABA President C. Francis Cocke; Joseph M. Dodge, The Detroit Bank, Mich.; Frank M. Totton, Vice-President The Chase National Bank of New York; Robert M. Hanes, President Wachovia Bank and Trust Company, Winston-Salem, N. C.; Alexander Chmielewski, Rhode Island Bank Commissioner and Immediate Past President, National Association of Supervisors of State Banks; Joseph Earl Perry, President Newton Savings Bank, Newton, Mass.; T. V. Smith, professor of poetry, politics and philosophy, Syracuse University; Joseph W. White, Vice President, Mercantile Trust Company, St. Louis, Mo.; H. Frederick Hagemann, Jr., President, Rockland Atlas National Bank, Boston, Mass., and Walter

E. Hoadley, Jr., Economist, Armstrong Cork Company.

Mr. Hanes urged the bankers to fight for integrity of the dollar in the face of the government's profligate spending and unsound monetary policies. He asserted they must let their government know where they stand, and insist that candidates for public office state their positions unequivocally. He expressed his concern over increasing reliance on government guaranty of banking risks, terming this "a cancer on the body of banking."


Robert M. Hanes

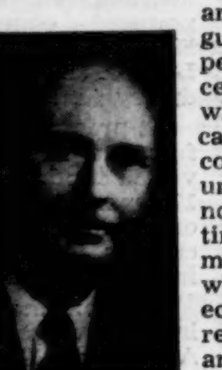
* * *

Mr. Chmielewski, discussing the safeguarding of bank funds, maintained that, although funds may be adequately protected by bonds and insurance, this nevertheless does not lessen bank management's responsibility for taking proper measures to prevent losses. He stressed the fiduciary relationship between directors and stockholders and depositors. He urged employment of outside auditors reporting to directors only, greater efficiency in systems of internal controls, and rotation in office.


A. Chmielewski

* * *

Mr. Smith said: "We need a new conception of idealism: an ism that can pay its own way rather than heaving hopefully at its bootstraps. . . . What we need is not a fictitious distinction between what is selfish and what is idealistic, but a round distinction between what is creative and productive on the one side, and what is acquisitive on the other."


Dr. T. V. Smith

* * *

Mr. Totton, speaking on "Banking on Youth," strongly urged bankers to give more time and effort to character-building organizations of young people. "This is not alone because of what we can do for youth, but because of what youth can do for us," he said.


Frank M. Totton

"Some one said recently that the oncoming generation is better than ours in every way except one, and that is money management," continued Mr. Totton. "But here again, at least so far as school savings accounts are concerned, the youngsters are doing encouragingly well. For instance, the mutual savings banks report a 17.6% gain in school savings deposits this last year, with almost 2,000,000 school children having deposits of some $60,000,000. Our own ABA division shows that 500 of all types of banks are serving 10,000 schools, with 3,300,000 school savers having $92,000,000 on deposit. This adds up to about a 15% increase the country over."

* * *

Cautioning by Delano

The Honorable Preston Delano, Comptroller of the Currency, speaking before the Annual Meeting of the National Bank Division on September 29, earnestly urged the bankers to gird themselves for the future.


Preston Delano

"I urge that all of us reexamine our thinking and our attitudes at this crucial time," he said. "Most of our banks have relatively few asset problems today; and our earnings, although far from startling, are sufficient to enable us gradually to eliminate marginal credits and investments without jeopardizing a satisfactory income level. I do not suggest that the national banking system should be operated on the basis of extreme and unrealistic assumptions. I, for one, find it difficult to believe that our economic system will again experience a depression comparable to that of 20 years ago. But although it is unfair to your shareholders, as well as to your customers and community, to expect the worst and strive for 110% liquidity, it is even less the part of wisdom to run a bank in such manner that its solvency and usefulness will be in jeopardy unless our general economy continues without interruption to reach higher and higher levels."

"Aside from the natural caution and conservatism which should guide any one who handles other people's money, there are today certain signs and portents to which I think we should give very careful attention," the Comptroller continued. "I am not assuming the unpopular role of Cassandra; I do not know whether we face harder times in 1953, in 1956, or ever. It may be that the shock absorbers which we have built into our economy during the past 20 years really can cushion any recession and prevent it from developing into hardship—although I am old enough to remember the respected seers of the 1920's who assured us then, with cogent and impressive reasoning, that we had reached a high plateau of prosperity with no decline—much less a precipice—on the other side.

"Now as to the signs and portents: Despite mixed trends at the moment, bankers cannot disregard the decline in wholesale commodity prices which has taken place over the last 18 months and the probable gradual reduction in the government's rearmament program. We must also recognize the serious economic conditions in certain western nations and the resulting possible diminution of our export markets. The miracle of American production bids fair, shortly, whether rearmament demands are reduced or not, to provide for our civilian needs and even give us a surplus of goods. This denouement, together with the other factors, could produce unemployment and start a trend of events leading to deflation. Finally, we see the apparent anomaly of an unprecedented high level of consumer credit coincidentally with a tremendous volume of savings, indicating an unbalanced distribution of the nation's purchasing power. This appraisal is not a prophecy—it is, I hope, food for thought."

"Underlying all this there is a deeper and more reason for us to put our banking house in order just now," Mr. Delano continued. "Every indication points to a long and hard struggle with this monstrous thing we call the cold war."

(The addresses of Messrs. Snyder; Cocke; Hoadley; Hagemann; Dodge; Perry; Robertson and White are published in full in this issue.)

Heads of ABA Divisions and State Association Section

NEW ABA OFFICIALS

T. Allen Glenn, Jr., is newly elected President of the ABA's *National Bank Division;* Wendell T. Burns, President of *Savings and Mortgage Division;* B. M. Harris, President of *State Bank Division;* Robert A. Wilson, President of *Trust Division;* and James C. Scarboro, President of *State Association Section.*


T. Allen Glenn, Jr.


Wendell T. Burns


B. M. Harris


Robert A. Wilson


James C. Scarboro

ABA Membership Increased

T. J. O'Brien, Chairman of the Association's Organization Committee, announced that ABA membership had been increased by 97 banks and branches during the past year, bringing it to a total of 16,790. Mr. O'Brien is Vice-President of the Second National Bank, Houston, Texas.

The membership is made up of 14,298 banks, 2,324 branches, and 168 members in foreign countries. Included are over 98% of all the banks in the United States and over 99% of the nation's banking resources.

In 21 states and the District of Columbia, every bank is a member of the Association; and in five states, only one bank is a nonmember. The states with 100% membership are Alabama, Arizona, Arkansas, Delaware, Florida, Georgia, Idaho, Iowa, Louisiana, Missouri, Montana, Nevada, New Mexico, North Carolina, Oregon, Utah, Vermont, Virginia, Washington, Wisconsin and Wyoming.

1953 Convention to Be Held In Washington

The 1953 Convention of the Association will be held in Washington, D. C., it was announced at the close of the organization's current Convention on October 1 by W. Harold Brenton, newly elected President of the ABA. The dates of the Convention will be Sept. 20-23, 1953.

The last Convention of the American Bankers Association to be held in Washington was in 1934. The District of Columbia Bankers Association will be the hosts for the 1953 meeting.

Mutual Funds

By ROBERT R. RICH

Diversified Cuts 24 Funds To Three

In announcing proposal to dissolve 22 funds, Hugh W. Long, President, states industry and specialized series funds are no longer attractive to investors.

Shareholders of Diversified Funds will vote Nov. 10 on the proposal to cut the twenty-four Diversified Funds to three, reclassifying the Corporate Bond Series, Government Bond Series and Diversified Preferred Stock Fund into Diversified Investment Fund, and dissolving all eighteen industry series funds and Pacific Coast Investment Fund into the newly-organized Diversified Growth Stock Fund.

In announcing the proposal, Hugh W. Long, President of Diversified Funds, said, "Investors have shown, by the votes of their invested dollars, that their clearest and largest need is for mutual funds of the general management type in which the mutual fund assumes the entire responsibility for investing — according to a clearly stated investment policy —the money entrusted to it. We have offered the public both the general management type of fund and the specialized industry fund and we have let the public choose. Their preference is overwhelmingly for the general management type.

"In our own case, the preference of investors for the more complete services offered by the general management funds is clearly indicated," Mr. Long said, "in the fact that these two funds—Diversified Investment Fund and Diversified Common Stock Fund —today have assets of more than $33 million. These funds now account for three-quarters of Diversified Fund's total assets and are owned by some 10,000 of its shoreholders."

Remarking on the specialized, industry-type fund, Mr. Long said, "Equally clearly, the limited investment services provided by the Industry Series are no longer attractive to investors. Diversified Fund's experience with its other specialized series—Corporate Bond Series, Government Bond Series, Diversified Preferred Stock Fund and Pacific Coast Investment Fund—has been similar."

Diversified Growth Stock Fund, created by a resolution of Diversified Fund's board of directors on Sept. 11, 1952, was given an initial allocation of 1,600,000 shares with an assigned net asset value of $7.30. The new fund will be supported in its public offering by an underwriting group headed by Kidder, Peabody & Co. in one of the most unusual roles an investment syndicate has yet played in integrating mutual funds into the securities business. The underwriting group will offer to the public shares not absorbed by stockholders of the 19 expiring funds which are to be dissolved into Diversified Growth Stock Fund.

The investment objective of the new fund will be "to invest substantially all of the assets of the fund in securities of companies which it believes to be in an expanding phase of their development and to possess better than average prospects for long term growth. Immediate income return will be of secondary importance."

In the reorganization process, effective Nov. 28, the reclassified funds have assets totaling $11 million out of Diversified Fund's $44 million.

Shareholders of Diversified Funds and the underwriting syndicate will be protected in the public offering of the new fund because the resolution creating Diversified Growth Stock Fund did not contain a provision for redemption of its shares. Consequently, from the time of registration until the certificate of amendment is filed, on or before Nov. 28, the shares will be offered but not redeemable.

Shareholders of all reclassified funds will receive the net asset value of their holdings on the effective date of reclassification, Nov. 28, in full shares of Diversified Investment Fund or Diversified Growth Stock Fund at net asset value.

Hugh W. Long said that, in addition, the management will give each of the shareholders of Diversified Funds ample opportunity to determine from actual experience which of the three general management funds best suits his personal investment purpose. For one year after the effective date, shareholders can convert their shares from one fund to another at net asset value without cost.

The management's counsel said reclassification would not change the book cost of shares and will not establish a gain or loss for tax purposes. However, substantial capital gains may be realized and paid during reorganization. Unrealized appreciation on the expiring funds amounted to over $3 million out of total assets of $11 million.

Shareholders will also be asked on Nov. 10 to authorize Diversified Funds to redeem any "series fund" with assets of less than $1,500,000, instead of the present figure of $100,000. Although the plan to reclassify the 22 funds requires the majority vote of the shareholders of each fund before that particular fund can be dissolved, this proposal only requires the majority vote of Diversified Fund shareholders as a group.

Mutual Fund Fair Booth Draws 12,000

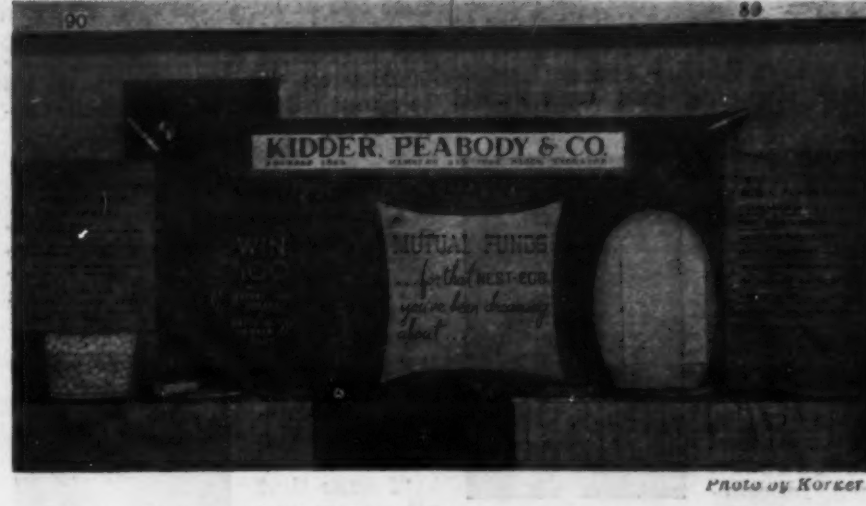


Photo by Korzer

Over twelve thousand people entered Kidder, Peabody's mutual fund booth at the Danbury (Conn.) Fair to write down their names and guess the number of eggs in a wire bushel basket. Prize for the winner was $100 in cash or mutual funds shares. Kidder, Peabody kept the booth manned by four men during the Fair's nine days from Sept. 27 to Oct. 5. Among the Kidder, Peabody men who explained mutual funds to the fair-goers were: Milton Fox-Martin, mutual funds manager; George Washburn, fund sales manager; Eric Reinders, Howard Layhew, William Middleleer, and Felix Dyckoff.

Kidder, Peabody will make the portable replica of the barn available to its associated dealers across the country.

Mutual Fund Notes

GROUP SECURITIES, which originated the idea of the multiple class industry fund in 1933, and has since then been the largest unit in that field, plans no change in its structure.

This fact was made known Tuesday by Herbert R. Anderson, President, in a statement commenting on the recently announced plans of Diversified Funds, Inc., managed by Hugh W. Long & Company to eliminate industry funds from its structure.

At present Group Securities offers and manages 5 broadly invested funds of various types and 17 separate classes of shares, each of which is invested solely in securities identified with a single industry.

"The original conception of the industry class structure," Mr. Anderson stated, "was to permit investors to enjoy the combined advantages of a mutual fund with the personalized fitting of an investment program. This was a sound policy in 1933 and still is today."

Mr. Anderson said that although Group Securities currently em-

Continued on page 54

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Oct. 12	104.6	*105.7	100.8	101.8
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 12	2,173,000	*2,195,000	2,093,000	2,035,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Sep. 27	6,507,150	*6,518,350	6,284,450	6,303,500
Crude runs to stills—daily average (bbls.)	Sep. 27	†6,987,000	*7,075,000	7,110,000	6,558,000
Gasoline output (bbls.)	Sep. 27	23,561,000	23,980,000	23,936,000	21,085,000
Kerosene output (bbls.)	Sep. 27	2,634,000	2,728,000	2,664,000	2,549,000
Distillate fuel oil output (bbls.)	Sep. 27	10,214,000	10,278,000	10,253,000	9,124,000
Residual fuel oil output (bbls.)	Sep. 27	8,835,000	8,525,000	8,839,000	8,332,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sep. 27	120,276,000	118,315,000	117,240,000	122,468,000
Kerosene (bbls.) at	Sep. 27	34,989,000	34,680,000	32,080,000	36,171,000
Distillate fuel oil (bbls.) at	Sep. 27	114,727,000	112,472,000	102,295,000	104,170,000
Residual fuel oil (bbls.) at	Sep. 27	54,583,000	53,484,000	52,296,000	49,014,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sep. 27	862,061	873,559	727,344	864,575
Revenue freight received from connections (no. of cars)	Sep. 27	727,072	719,769	657,100	703,316
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 2	$234,277,000	$317,149,000	$109,956,000	$421,940,000
Private construction	Oct. 2	143,559,000	127,486,000	57,239,000	315,014,000
Public construction	Oct. 2	90,718,000	189,663,000	52,717,000	106,926,000
State and municipal	Oct. 2	71,774,000	54,880,000	41,567,000	81,959,000
Federal	Oct. 2	18,944,000	134,783,000	11,150,000	24,967,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sep. 27	10,030,000	*11,580,000	2,230,000	11,136,000
Pennsylvania anthracite (tons)	Sep. 27	859,000	878,000	152,000	963,000
Beehive coke (tons)	Sep. 27	85,900	93,300	29,700	132,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Sep. 27	112	*113	110	114
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 4	7,665,408	7,624,747	7,324,127	7,155,921
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 2	129	156	110	133
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sep. 30	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Sep. 30	$55.26	$55.26	$55.26	$52.69
Scrap steel (per gross ton)	Sep. 30	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 1	24.200c	24.200c	24.200c	24.200c
Export refinery at	Oct. 1	34.925c	34.950c	33.425c	27.425c
Straits tin (New York) at	Oct. 1	121.500c	121.500c	121.500c	103.000c
Lead (New York) at	Oct. 1	16.000c	16.000c	16.000c	17.000c
Lead (St. Louis) at	Oct. 1	15.800c	15.800c	15.800c	16.800c
Zinc (East St. Louis) at	Oct. 1	13.525c	13.500c	14.000c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 7	96.24	95.91	97.49	98.21
Average corporate	Oct. 7	109.42	109.24	109.79	111.25
Aaa	Oct. 7	112.93	113.50	114.27	115.82
Aa	Oct. 7	111.62	111.62	112.00	115.04
A	Oct. 7	109.06	108.88	109.24	110.15
Baa	Oct. 7	103.47	103.64	103.97	104.66
Railroad Group	Oct. 7	106.21	106.21	106.92	108.16
Public Utilities Group	Oct. 7	109.06	109.24	109.42	111.07
Industrials Group	Oct. 7	112.37	112.75	112.93	114.85
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 7	2.76	2.78	2.67	2.62
Average corporate	Oct. 7	3.21	3.21	3.18	3.10
Aaa	Oct. 7	3.01	2.98	2.94	2.86
Aa	Oct. 7	3.08	3.08	3.06	2.90
A	Oct. 7	3.22	3.23	3.21	3.16
Baa	Oct. 7	3.54	3.53	3.51	3.47
Railroad Group	Oct. 7	3.38	3.38	3.34	3.27
Public Utilities Group	Oct. 7	3.22	3.21	3.20	3.11
Industrials Group	Oct. 7	3.04	3.02	3.01	2.91
MOODY'S COMMODITY INDEX	Oct. 7	424.1	427.6	427.6	466.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sep. 27	227,129	215,865	216,985	206,321
Production (tons)	Sep. 27	231,254	234,715	224,724	218,174
Percentage of activity	Sep. 27	94	93	90	90
Unfilled orders (tons) at end of period	Sep. 27	459,907	467,535	388,360	458,150
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 3	109.19	109.21	109.43	116.14
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Sep. 20	25,546	27,361	21,563	35,154
Number of shares	Sep. 20	707,804	760,597	612,336	1,025,367
Dollar value	Sep. 20	$32,727,115	$35,564,700	$27,804,822	$45,026,496
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sep. 20	20,422	22,451	19,188	32,871
Customers' short sales	Sep. 20	113	252	126	228
Customers' other sales	Sep. 20	20,309	22,199	19,062	32,643
Number of shares—Total sales	Sep. 20	561,065	637,791	520,090	929,213
Customers' short sales	Sep 20	3,403	8,926	4,749	8,146
Customers' other sales	Sep 20	557,662	628,865	515,341	921,035
Dollar value	Sep. 20	$23,224,613	$26,648,150	$21,622,815	$37,508,929
Round-lot sales by dealers—					
Number of shares—Total sales	Sep. 20	156,300	213,390	150,740	281,400
Short sales	Sep. 20	------	------	------	------
Other sales	Sep. 20	156,300	213,390	150,740	281,400
Round-lot purchases by dealers—					
Number of shares	Sep. 20	314,090	305,890	233,480	364,750
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Sep. 13	239,970	139,470	148,150	398,770
Other sales	Sep. 13	6,339,570	4,410,560	5,142,870	11,228,190
Total sales	Sep. 13	6,579,540	4,550,030	5,201,020	11,612,960
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Sep. 13	659,660	409,430	458,600	1,248,720
Short sales	Sep. 13	111,350	75,540	98,740	232,300
Other sales	Sep. 13	515,480	365,150	378,780	1,016,000
Total sales	Sep. 13	626,830	440,690	477,520	1,248,300
Other transactions initiated on the floor—					
Total purchases	Sep. 13	122,530	80,410	81,320	350,900
Short sales	Sep. 13	10,550	7,400	4,500	17,500
Other sales	Sep. 13	129,800	84,300	93,100	353,280
Total sales	Sep. 13	140,350	91,700	97,600	370,780
Other transactions initiated off the floor—					
Total purchases	Sep. 13	244,120	173,320	207,570	477,990
Short sales	Sep. 13	25,820	26,070	13,640	55,930
Other sales	Sep. 13	283,566	201,075	247,620	451,283
Total sales	Sep. 13	314,386	227,145	261,260	507,213
Total round-lot transactions for account of members—					
Total purchases	Sep. 13	1,026,310	663,160	747,490	2,077,610
Short sales	Sep. 13	147,720	109,010	116,880	305,730
Other sales	Sep. 13	933,846	650,525	719,500	1,820,563
Total sales	Sep. 13	1,081,566	759,535	836,380	2,126,29[illegible]
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Sep. 30	111.0	111.1	111.7	------
Farm products	Sep. 30	105.9	*105.2	107.9	------
Processed foods	Sep. 30	108.7	109.8	110.7	------
Meats	Sep. 30	108.7	112.5	115.0	------
All commodities other than farm and foods	Sep. 30	112.6	112.7	112.8	------

*Revised figure. †Includes 707,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK — As of August 30:			
Imports	$211,697,000	$199,764,000	$217,753,000
Exports	119,177,000	125,622,000	109,211,000
Domestic shipments	7,143,000	7,724,000	12,099,000
Domestic Warehouse credits	12,513,000	9,556,000	13,199,000
Dollar exchange	73,606,000	73,351,000	5,651,000
Based on goods stored and shipped between foreign countries	29,975,000	34,133,000	26,408,000
Total	$454,111,000	$450,150,000	$384,321,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of August:			
New England	$19,708,500	$19,490,434	$41,387,438
Middle Atlantic	98,996,532	75,331,214	111,643,528
South Atlantic	29,171,991	33,899,864	34,420,897
East Central	79,183,176	84,084,671	96,812,346
South Central	52,961,261	77,592,168	62,566,795
West Central	34,059,337	49,807,192	25,745,212
Mountain	13,489,270	14,508,493	11,533,904
Pacific	66,923,436	84,152,089	53,556,281
Total United States	$394,493,503	$438,866,125	$437,666,400
New York City	69,916,114	44,945,049	76,505,151
Outside New York City	324,577,389	393,921,076	361,161,249
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of August.			
Manufacturing number	109	133	136
Wholesale number	60	59	64
Retail number	316	299	333
Construction number	58	48	89
Commercial service number	51	41	56
Total number	594	580	678
Manufacturing liabilities	$5,056,000	$8,882,000	$10,497,000
Wholesale liabilities	2,386,000	3,811,000	4,099,000
Retail liabilities	5,255,000	5,434,000	6,173,000
Construction liabilities	1,816,000	3,196,000	4,290,000
Commercial service liabilities	1,809,000	1,466,000	1,358,000
Total liabilities	$16,322,000	$22,789,000	$26,417,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of August:			
Earnings—			
All manufacturing	$66.85	*$65.80	$64.32
Durable goods	71.37	*69.88	69.55
Nondurable goods	61.45	*60.87	57.91
Hours—			
All manufacturing	40.2	39.9	40.3
Durable goods	40.6	*40.3	41.3
Nondurable goods	39.8	*39.4	39.1
Hourly earnings—			
All manufacturing	$1.663	*$1.649	$1.596
Durable goods	1.758	*1.734	1.684
Nondurable goods	1.544	*1.545	1.481
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39 = 100 (COPYRIGHTED) As of September 1:			
Composite index	104.9	104.7	107.1
Piece goods	96.8	95.2	100.9
Men's apparel	105.3	105.5	106.7
Women's apparel	100.8	101.8	102.7
Infants' and Children's wear	104.8	104.8	106.4
Home furnishings	107.8	107.7	111.0
Piece goods—			
Rayon and silks	89.8	89.8	92.9
Woolens	108.2	108.0	114.0
Cotton wash goods	94.6	94.6	100.1
Domestics—			
Sheets	101.2	100.1	109.7
Blankets and comforters	119.2	120.2	125.5
Women's apparel—			
Hosiery	95.2	95.2	97.8
Aprons and housedresses	97.0	97.5	99.2
Corsets and brassieres	107.3	107.7	107.9
Furs	93.8	94.0	100.7
Underwear	100.1	100.0	101.7
Shoes	108.6	108.8	110.2
Men's apparel—			
Hosiery	106.8	106.7	107.0
Underwear	110.7	110.7	110.9
Shirts and neckwear	102.4	102.4	102.8
Hats and caps	100.2	100.3	100.5
Clothing, including overalls	103.1	103.8	104.8
Shoes	107.2	107.8	112.3
Infants' and children's wear—			
Socks	102.9	102.9	102.5
Underwear	103.0	102.9	102.6
Shoes	110.0	110.4	113.2
Furniture	108.1	107.8	106.5
Floor coverings	117.6	117.4	125.0
Radios	102.4	102.3	102.9
Luggage	101.5	101.0	104.2
Electrical household appliances	104.8	105.1	107.4
China	100.9	100.5	102.9
INDUSTRIAL PRODUCTION BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, 1935-39 = 100—Month of Aug.:			
Seasonally adjusted	215	*193	217
Unadjusted	218	*195	220
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Sept.:			
Industrial (125)	5.63	5.51	6.03
Railroad (25)	6.03	5.68	6.13
†Utilities (24)	5.28	5.31	5.78
Banks (15)	4.23	4.39	4.70
Insurance (10)	3.18	3.15	3.28
Average (200)	5.56	5.40	5.91
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of June:			
Net railway operating income	$67,900,110	$82,970,256	$65,818,234
Other income	25,385,940	15,161,384	28,147,464
Total income	93,286,050	98,131,640	93,965,698
Miscellaneous deductions from income	3,775,683	3,887,315	3,638,915
Income available for fixed charges	89,510,367	94,244,325	90,326,783
Income after fixed charges	51,870,042	57,234,689	55,340,180
Other deductions	2,882,097	2,892,194	3,182,432
Net income	48,987,945	54,342,495	52,157,748
Depreciation (way & structure & equip.)	40,364,540	40,234,661	39,000,398
Amortization of defense projects	------	------	------
Federal income taxes	31,759,146	42,434,800	43,224,026
Dividend appropriations:			
On common stock	19,049,391	28,356,475	16,94[illegible],267
On preferred stock	1,646,591	8,361,350	2,286,[illegible]43
Ratio of income to fixed charges	2.38	2.55	2.5[illegible]

*Revised figure. †Not including American Tel. & Tel.

Continued from page 5

The State of Trade and Industry

Declines from the previous month were listed in twenty-seven of the forty-eight reporting states.

The first eight months of this year witnessed an aggregate of 62,104 new business incorporations in the United States. This was an increase of 7.7% over the 57,665 a year ago, but a decrease of 7.1% from 66,830 in the corresponding 1950 period.

Total valuation of building permits for the month of August showed a drop of 9.9% below the August 1951 level, and 10.6% below that for July 1952, according to Dun & Bradstreet, Inc. The respective totals, covering 215 cities of the United States, were $394,493,503 last month, $437,666,400 a year ago and $441,160,921 in July.

In New York City, the volume of plans filed during August amounted to $69,916,114. This represented a decline of 8.6% from $76,505,151 in the like month a year ago, but a rise of 55.5% as compared with $44,945,049 the previous month.

Steel Output Set at 104.6% of Capacity, a Trifle Below Previous Week

Steel output in the United States is at a new high mark, and more new records will be set soon, says "Steel," the weekly magazine of metalworking, in its current review of the steel trade.

The latest record was cast in the week ended Oct. 4, when reports to "Steel" indicated the nation's mills produced steel for ingots and castings at 103.5% of capacity. Steel output has been slightly above 100% of capacity before but never has the capacity been as great as it is now. The capacity will continue to climb for the next several months. Almost every week now brings reports of new steelmaking capacity coming into production.

Increases in capacity plus full operations are making strong headway in pushing supply up into balance with demand, asserts this trade paper. Proof of this is the growing cost consciousness among the consumers. They are increasingly insistent on placing their steel orders at the nearest mill so that freight costs can be held down. As a result, mills farthest from big consuming areas are feeling a reduction in consumer pressure, while sellers nearest the big consuming areas are experiencing no let-up, it states.

The supply improvement is reflected also by a survey made by the National Association of Purchasing Agents. It finds that only 47% of those answering in the survey have any steel supply problems now. An easy supply condition by the end of this year is expected by 44%. Critical shortages running into the second quarter of 1953 are visualized by only 9%, compared with 42% a month ago.

Reflecting the improvement in supply, more carbon sheets and narrow cold-rolled strip will be available in the first quarter than was anticipated earlier, states this trade weekly. While March was expected to be the first open month on nondefense sheet orders some producers now expect to have openings sooner than that. Some customers are passing up offerings, either because of lack of government allotments or because of sufficient inventories, points out "Steel." The government limits inventories to 30-day supplies. Some debate is going on as to whether a liberalization of government restrictions on inventories would swell demand for steel, this trade journal concluded.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 104.6% of capacity for the week beginning Oct. 6, 1952, equivalent to 2,173,000 tons of ingots and steel for castings. In the week starting Sept. 29, the rate was 105.7% (revised) of capacity and actual output totaled 2,195,000 tons, a new high record. A month ago output stood at 100.8% or 2,093,000 tons. One year ago the rate was estimated at 101.8% and production at 2,035,000.

Electric Output Picks up Volume In Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Oct. 4, 1952, was estimated at 7,665,408,000 kwh., according to the Edison Electric Institute.

The current total was 40,681,000 kwh., above that of the preceding week when output amounted to 7,624,747,000 kwh. It was 509,487,100 kwh., or 7.1%, above the total output for the week ended Oct. 6, 1951, and 1,151,701,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Continue Downward Course

Loadings of revenue freight for the week ended Sept. 27, 1952 totaled 862,061 cars, according to the Association of American Railroads, representing a decrease of 11,498 cars, or 1.3% below the preceding week.

The week's total represented a decrease of 2,514 cars, or 0.3% below the corresponding week a year ago, and a decrease of 18,125 cars, or 2.1% below the corresponding week in 1950.

United States Auto Output Dropped About 3% From Level of Previous Week

Passenger car production in the United States last week fell about 3%, but maintained the over 100,000 weekly pace begun after the first week in September.

It aggregated 100,598 cars compared with 103,925 (revised) cars in the previous week, and 84,006 cars in the like week a year ago, according to "Ward's Automotive Reports."

Total output for the past week was made up of 100,598 cars and 29,291 trucks built in the United States against 103,925 cars and 28,099 trucks (revised) last week and 84,006 cars and 22,353 trucks in the comparable period a year ago.

Canadian plants turned out 6,835 cars and 2,063 trucks against 6,220 cars and 2,384 trucks last week, and 4,479 cars and 2,030 trucks in the like week of 1951.

Business Failures Turn Moderately Downward

Commercial and industrial failures dipped to 129 in the week ended Oct. 2 from 156 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties were about even with a year ago when 133 occurred, they were down from the 1950 total of 154. Continuing far below the pre-war level, failures were less than one-half as numerous as in the similar week of 1939 when 279 were recorded.

Casualties involving liabilities under $5,000 declined slightly last week but exceeded the 107 of this size which occurred a year ago. A sharper decrease was noted in small failures for the previous week and last year.

The week's decline centered principally in retail and wholesaling mortality. In commercial service failures, there was a slight decline. Contrary to these declines, both manufacturing and construction had more failures. More service and wholesaling concerns succumbed than last year and construction remained steady; the only declines from 1951 appeared in retail trade and manufacturing.

Most geographic regions reported a dip in failures. Only two increases occurred during the week, in the New England and the West North Central States. These two regions, along with the East South Central States, Mountain, and Pacific States had more businesses failing than a year ago. A mild decline from the 1951 level prevailed in the four other geographic districts.

Wholesale Food Price Index Dips For Fourth Straight Week

Down for the fourth successive week, the Dun & Bradstreet wholesale Food price index fell to $6.43 on September 30, from $6.45 a week earlier to reach the lowest level in fourteen weeks, or since June 24, when it stood at $6.39. The current number compares with $6.79 a year ago, or a drop of 5.3%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Continues Its Downward Trend

The downward trend in the general commodity level continued in evidence during the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., declined to 290.68 on Sept. 30, from 290.83 a week earlier, and compared with 302.77 on the like date a year ago.

Leading grain markets continued unsettled as prices moved irregularly lower during the week. Wheat declined late in the week with the December delivery reaching a new low for the season. Some of the selling in the bread cereal was attributed to reports of large quantities of red wheat in store at Chicago.

The market was also featured by a sharp reduction in the movement of Spring wheat.

Export business in wheat was fair. Sales under the International Wheat Agreement totalled 7,700,000 bushels for the week, bringing the total for the 1952-53 year to about 79,000,000 bushels, compared with 100,400,000 for the same period a year earlier. Weakness in corn largely reflected ideal weather conditions which hastened maturity of the crop. Easiness in oats reflected mild but steady liquidation throughout the week. Trading volume in all grain and soybean futures was down slightly from the previous week. Average daily sales for the week totalled 43,000,000 bushels, against 45,000,000 the week before, and 50,000,000 in the same 1951 week.

Flour prices were steady last week. The domestic market continued dull as for the past several weeks, with bakers and jobbers holding to the sidelines in the hope of lower prices. There was an increased interest in the export flour market with a substantial aggregate booked during the week. Spot cocoa was firm with futures registering small advances, aided by short covering and hedge-lifting against sales of actuals. Warehouse stocks of cocoa showed a further decline to 93,324 bags, as compared with 99,157 one week ago, and 212,895 bags on the same date a year ago. Demand for coffee was rather quiet with some easiness resulting from pressure in the spot market.

The sugar market remained firm with domestic raws advancing to 6.60 cents, delivered, the highest price of the year.

Lard prices worked sharply lower despite continued advances in live hogs. Strength in hogs was influenced by reduced supplies and firm wholesale pork prices in contrast to weakness in other meats. Slaughter lambs continued sharply downward to reach the lowest level in three years.

Following early firmness, spot cotton prices turned easier under pressure of liquidation and hedge selling. Mill demands for spot cotton in the South declined somewhat from recent weeks. Inquiries from foreign sources were reported more numerous than in any other week this season, but actual sales for export were confined to small lots for nearby shipment. Sales of the staple in the ten spot markets last week fell slightly to 331,100 bales, from 350,100 a week earlier, and compared with 302,400 bales in the same week a year ago.

Trade Volume Falls Slightly In Latest Week

Shoppers in most parts of the nation reduced their spending slightly in the period ended on Wednesday of last week, but continued to spend moderately more than in the corresponding 1951 week. Easy credit terms and extended shopping hours were used by retailers to spur shoppers' interest. The volume of consumer credit outstanding continued near the all-time high reached a few weeks ago.

Suburban stores generally chalked up better comparisons with the sales figures of a year ago than did large city department stores.

The total volume of retail trade in the nation in the period ended on Wednesday, last week, was estimated by Dun & Bradstreet, Inc., to be from unchanged to 4% higher than a year ago. Regional estimates varied from the comparable 1951 levels by the following percentages: New England and East —2 to +2; Midwest and Northwest unchanged to +4; Southwest +2 to +6; South and Pacific Coast +1 to +5.

Housewives continued to spend more for food than in the similar week a year ago. The largest rises over the levels of a year earlier were in the demand for frozen foods and oleomargarine. The buying of butter and some large cuts of meat continued below the year ago level.

Shoppers reduced their purchases of apparel slightly last week as mild weather returned to many sections. However, apparel stores generally had larger receipts than in the corresponding week in 1951.

Retailers of household goods sold about as much as during the prior week and perceptibly more than in the similar week a year before. Some merchants attributed the wide interest in furniture and other household goods to the recent relaxation of terms on the purchase of homes. Television sets were eagerly sought in some parts of the nation, particularly in Portland, Ore. and Denver, Col. Decorating materials, incidental furniture, and cotton floor coverings were increasingly popular.

Trading activity in the nation's wholesale markets did not vary appreciably in the week, but remained close to the increased level of recent weeks. The total dollar volume of wholesale orders remained slightly larger than that of a year ago. Merchants reordered steadily to broaden their stocks for the coming holiday selling season.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 27, 1952, declined 2% below the level of the preceding week. In the previous week an increase of 1% was recorded from that of the similar week of 1951. For the four weeks ended Sept. 27, 1952, sales reflected a decrease of 1%. For the period Jan. 1 to Sept. 27, 1952, department store sales registered a drop of 2% below the like period of the preceding year.

Retail trade in New York last week suffered adversely from the combination of a heavy rainstorm on Thursday evening, when many stores remained open and the World Series baseball games. The decline from the 1951 week was estimated at about 9%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Sept. 27, 1952, decreased 5% below the like period of last year. In the preceding week a decline of 6% (revised) was reported from that of similar week of 1951, while for the four weeks ended Sept. 27, 1952, a decrease of 7% was registered below the level of a year ago. For the period Jan. 1 to Sept. 27, 1952, volume declined 9% under the like period of the preceding year.

Bankers Offer Calif. El. Pow. Co. Shares

Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. jointly offered yesterday (Oct. 8) a new issue of 350,000 shares of California Electric Power Co., common stock, $1 par value, at a price of $9.75 per share. Award of the issue was won by the firms at competitive sale on a bid of $9.471 a share.

Net proceeds from the sale will be used to retire the company's outstanding 5½% convertible preference stock and 5.60% convertible preference stock if market conditions are favorable, and to reduce short-term bank loans incurred in connection with the construction and improvement program of the company and its wholly-owned subsidiary, Interstate Telegraph Co. If market conditions become unfavorable for the call of the preference stock, all of the net proceeds from the financing will be used to reduce short-term bank loans.

California Electric Power Co. is engaged principally in the generation, purchase, transmission, distribution and sale of electric energy in parts of southeastern California and southwestern Nevada. Interstate Telegraph Company, a wholly-owned subsidiary, is engaged in a rapidly growing telephone and telegraph business principally in the northern part of the company's electric service area and in certain adjacent localities in California and Nevada. The company's Imperial Ice Division manufactures and sells ice in certain predominantly agricultural sections of Imperial County and Riverside County, California. In the 12 months ended Aug. 31, 1952, about 83% of consolidated operating revenues was from electric operations, 11% from telephone operations and 6% from ice operations.

Operating revenues of the company and its consolidated subsidiaries for the year ended Aug. 31, 1952 totaled $14,640,040 and net income amounted to $2,269,411. After dividends of $680,920 on the preferred and preference stocks, the balance applicable to the common stock was $1,588,491. Quarterly dividends of 15 cents per share (an annual rate of 60 cents per share), have been paid on the common stock from June 1, 1945 to date.

Elected Director

The election of Albert L. Williams as a director of J. Henry Schroder Banking Corporation was announced by Gerald L. Beal, President. Mr. Williams is a director, Vice-President and Treasurer of International Business Machines Corporation.

Canadian Securities

By WILLIAM J. McKAY

Canadian dollar exchange remains relatively stable at its premium rate, despite the slower pace of the flow of new investment capital into Canada from the United States as discussed in this column last week. Should a reverse movement occur, which would again bring the Canadian dollar below the U. S. parity, the Canadian Government is now well prepared to curb it. Finance Minister Douglas Abbott on Oct. 3 announced from Ottawa that Canada's official reserves of United States dollars and gold reached an all-time high of $1,856 million on Sept. 30.

The reserves, used as a cushion to block any sharp fluctuations in the exchange value of the Canadian dollar, had continued to swell all through the first nine months of 1952.

On Sept. 30 they were more than $200 million greater than the $1,610 million on the corresponding date a year ago, Mr. Abbott reported.

The peak of $1,856 million on Sept. 30 compared with the critical low of less than $500 million at the end of 1947 when Canada was forced to impose temporary import curbs to rebuild her reserves.

Now the big movement of capital from the United States and other countries for investment in Canadian developments plus month surpluses in foreign trade has resulted in Canada obtaining huge supplies of U. S. funds.

The reserves, expressed in terms of U. S. dollars, had climed to $1,828 million on June 30, jumped again to $1,845 million on July 31 and continued the upward stride to $1,848 million on Aug. 31.

There seems to be good prospect of a continued heavy demand for Canadian dollars in the United States, due in large part to the increasing amount of strategic raw materials imported from Canada to bolster the defense effort. Only recently it was announced that the Federal Government, through the Defense Materials Procurement Agency, has contracted with two Canadian firms to furnish additional supplies of the important metal, nickel. Under the agreements, the United States will purchase up to 65,000 tons of ore from the East Rim Nickel Mines, Ltd., Toronto, for processing by Falconbridge Nickel Mines, Ltd., also of Toronto.

The East Rim firm expects to begin mining and crushing ore from partially developed deposits immediately, at a rate of 3,500 short tons monthly. Up to the present, the company has delayed working the mines because of lack of processing facilities. The ore deposit in this area is estimated to contain over two million tons of nickel.

The Falconbridge Co. will process the ore in its plants at Falconbridge, Ontairo, and Kristiansand, Norway. Other deposits in the Sudbury mining district of Toronto, a source of the ore in the purchase agreement, are not being worked now, however, also because of lack of proper processing facilities.

These new avenues of flow of foreign money, mostly from the United States, is giving an assurance of a favorable balance of payments, which may keep the Canadian dollar at its current premium of about 4%. It is a matter of considerable concern, however, to both the Canadian Government and to Canadian industries, should the upward trend in the exchange rate continue. It has already brought complaints from exporters that they are finding it more difficult to sell goods abroad. Importers, of course, are finding foreign goods cheaper and do not object to the premium. But should the Canadian Government attempt to reduce its U. S. dollar official reserves by dumping some of it into foreign markets in exchange for Canadian funds, it would likely boost the Canadian dollar premium still further. However it is quite apparent that no action of this kind will be taken, unless conditions change radically.

Bache & Co. Expanding Radio Broadcasts

Effective immediately Bache & Co., members of the New York Stock Exchange and other leading exchanges, is expanding its financial and business news radio broadcasts into five additional areas, using the following stations: WGN, Chicago; WCAU, Philadelphia; WGAR, Cleveland; WMAL, Washington, D. C., and KABC, San Antonio. The broadcasts will be based on Henry Gladstone's "Today's Business" show, sponsored by Bache & Co., and heard over WOR (Mutual) in New York Monday through Friday at 7:15 p.m.

"The Henry Gladstone show is designed to reach both seasoned investors and those with no experience in investing. The response from both of these groups of people has been gratifying," Bache & Co. said. "In addition to giving closing prices of securities on various exchanges, the program features news items on business and finance."

Blando Rubber Stock Offered at $1 a Sh.

H. B. Simon Co. of New York are publicly offering an issue of 300,000 shares of common stock (par 10 cents) of Blando Rubber Corp. "as a speculation" at $1 per share.

The net proceeds are to be used for additional plant facilities and equipment and for general corporate purposes.

The Blando company owns and controls exclusively the new Lefferts natural rubber colorwall automobile tire process (patent applied for) and now operates two plants, one of which is devoted exclusively to the Lefferts Colorwall process. The other plant presently manufactures blank preforms which are used to make phonograph records but the equipment is similar to that used in processing colored rubber and this plant can be easily and inexpensively converted to the production of Lefferts Colorwall Tires.

The plants are located in Woodhaven and Maspeth, L. I., N. Y.

Now With Paine Webber

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif. — Edward H. Peirce has become affiliated with Paine, Webber, Jackson & Curtis, 1100 State Street.

With H. B. Cohle Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Webb C. Gower has become affiliated with H. B. Cohle & Co., Union Trust Building, member of the Cincinnati and Midwest Stock Exchanges

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James M. Anderson is now with Walston, Hoffman & Goodwin, 550 South Spring Street.

Of Course!

"Machine tool builders have produced the equipment that has won one of the greatest battles that humanity has ever fought. I don't mean World War II. I mean America's battle for the abundant life.

Charles F. Kettering

"There was a time when 85% of our citizens worked on farms to raise food. Today, about 15% of them do it and a large percentage of the rest, in fact millions, are in our shops using machine tools.

"The ability to go from agriculture to manufacture has laid the foundation under all of our great industries and has made our progress possible.

"The automobile is only one of many things made with machine tools. We have electric refrigerators, radios, washing machines, stoves and many other appliances you can easily call to mind.

"All of them brought to market millions of people who could not have afforded these things if it had not been for what we call 'interchangeability of parts' more often referred to as 'mass production'."
—Charles F. Kettering.

Of course, it is in such places as this that we find the real secret of "the more abundant life"—not in the "noisy blanks" of the politicians.

If only more of the rank and file understood this simple fact—and acted accordingly at the polls.

We should then not have had "New Deals" and "Fair Deals" to plague us.

Continued from page 11

The Securities Business— An Over Regulated Industry

way, government regulations do not apply either — I might put down 10 or 15% or nothing.

It seems to me that here is a clear case of discrimination, one that needs challenging.

The High Margin Requirements

Now, these credit restrictions have an even more pernicious effect. While I feel sure it is not a matter of intent, the result of present margin regulations is to assist in making debt financing more attractive than equity financing.

American Telephone and Telegraph Co. is engaged in the biggest private financing operation in history. In the past five years the company has raised $2 billion by issuance of debentures convertible into capital stock. Suppose I want to buy some of those debentures, which have about as high a rating as any security on the market, using my credit in the process. I go to a member firm of the New York Stock Exchange who tells me that the credit he can give me for the purchase is limited to 25% because of Federal Reserve margin regulations.

I think I can do better. I go to a bank. The bank tells me that they'll allow me a 90% credit on the deal. Why the difference? Federal margin regulations. The issue is a bond not a stock.

Don't think for a minute that I favor unlimited credit for the purchase of securities. I am advocating a margin rate of 40 to 50%, a rate which has some reasonable relation to the values involved and the amount of credit actually being used in the market, rather than one calculated on a curious slide rule used in Washington. I am advocating a new long-term Federal policy which will carry out the Congressional mandate to prevent "the excessive use of credit for the purchase or carrying of securities," but which will not attempt otherwise to control or restrict the securities market.

Then there is the present Capital Gains Tax Law, which is perhaps the greatest single deterrent to a healthy securities market. In the past, it has been argued by the Treasury staff that the tax should be raised and the holding period lengthened. This is curious reasoning.

A shortening of the holding period from six months to three, coupled with a reduction in the present 26% tax rate would provide the government with much greater revenue than is produced under the terms of the present law. In addition, such a revision would thaw out capital now frozen by tax considerations and allow investors freedom to shift their investments as conditions and their judgment dictate.

Capital must be free and mobile if it is to have maximum productivity. This is a truism of our business system. But in the Capital Gains Tax we have a law that freezes capital, a law which substitutes tax considerations for good judgment in a business transaction. I have heard of too many people who have solved this dilemma by refusing to put their money to work—which is not my conception of a growing and productive economy.

The Example of Canada

A footnote to my comments can be found just across the river. Canada, possibly the most dynamic nation in the world today, is seeking and welcoming vast sums of venture capital to exploit her riches. In Canada, there is no capital gains tax law.

The Federal tax structure has a couple of other facets with which I know you are all familiar. The Excess Profits Tax, for instance, literally subsidizes debt financing, almost forces a company in the excess profits category to go into debt to raise capital. I am informed that an average company in that category actually makes money by debt financing as long as the interest rate stays under 6½%. It is not necessary to point out to members of an Economic Club the menace to sound financial practice which is inherent in a capital structure top heavy with debt. And yet our tax laws are driving business to the creation of debt on a scale without precedent. It is gratifying to note that this tax is being recognized for what it is — an open invitation to waste and extravagance.

Regulation Obstructs Flow of Capital Funds

We need not labor further the thesis that all this regulation has retarded the flow of sufficient funds into equity channels. I've observed it; economists, government officials and business men generally have observed it. Only recently the Chairman of the Securities and Exchange Commission commented:

"Today we hear on all sides the cry that the sources of venture capital are drying up and that new undertakings are finding it increasingly hard to obtain the necessary capital to explore new fields." And he also had this to say:

"For the most part organized investing has overlooked the fact that the blue chips of today were the promotions of yesterday."

More and more today our corporations are resorting to debt financing. Conceivably, if this trend should continue, there would be no such operation as equity financing through the public and a free and open market would be legislated out of existence.

Freedom of Capital is a big phrase, just as Freedom of Labor is a big phrase. Freedom of Capital embraces more than, say, the right to make a profit . . . just as Freedom of Labor means more than the right to strike.

The automotive industry started here on a small scale. It got its start from the savings of a few men. Its employees were numbered in the hundreds.

As the industry grew, scores of subsidiary industries — making products never heard of before— were created. New jobs were made, higher wages paid. Today's automobile, a triumph of mass production, is the product of hundreds of thousands of men and women, the products of raw materials drawn from all over the world, of components manufactured by hundreds of smaller companies.

This spectacular growth could not have been financed by a few wealthy men. What made that growth possible was mass investment of the savings of thousands of people, people putting their money where they thought it would do them the most good— and, in the process, benefiting not only themselves but the nation.

That story has been duplicated all over America—in the steel industry, the oil industry, the railroad industry, the chemical industry, electronics—the products of men, brains and freedom of capital, freedom to put a dollar where you think it will do you the most good.

That is capitalism—a way of doing business derided by fellow travelers, by dewy-eyed theorists, by politicians looking for a whipping boy.

G. R. Jobin Opens

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Gerald R. Jobin, Investments, Ltd., has been formed with offices at 1617 28th Avenue, South to engage in the securities business. Gerald R. Jobin, formerly with Merrill Lynch, Pierce, Fenner & Beane, is general partner, and Robert R. James, limited partner.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Admiral Corp., Chicago, Ill.
June 2 filed 41,669 shares of capital stock (par $1) being offered in exchange for common stock of Canadian Admiral Corp., Ltd., at rate of one share of Admiral stock for each two shares of Canadian Admiral stock held. This exchange offer will expire on Oct. 17. **Dealer-Manager**—Dempsey & Co., Chicago, Ill. Statement effective June 19.

Aeroquip Corp., Jackson, Mich. (10/15)
Sept. 24 filed 195,000 shares of common stock (par $1), of which 150,000 shares are to be sold by company and 45,000 shares by eight selling stockholders. **Proceeds**—To repay bank loans. **Underwriters**—White, Weld & Co., New York, and Watling, Lerchen & Co., Detroit, Mich.

● **Allpark Finance Co., Inc. (10/22)**
Aug. 28 filed $500,000 of 6% sinking fund convertible debentures due June 30, 1962. **Price**—At par. **Proceeds**—For working capital. **Office** — Houston, Tex. **Underwriter**—C. K. Pistell & Co., Inc., New York. The proposed offering of preferred and common stocks have been withdrawn from registration.

American President Lines, Ltd. (Calif.) (10/28)
Sept. 4 filed 100,145 shares of class A stock (no par) and 2,100,000 shares of class B stock (par $1). **Proceeds**—One half to go to the Treasurer of the United States and the other half to the Dollar interests. **Underwriters**—To be determined by competitive bidding. **Bids**—To be received by The Riggs National Bank of Washington, D. C., as trustee under a "Settlement Agreement" between the United States of America and the Dollar interests, up to 11 a.m. (EST) on Oct. 28. If no bid is received which at least equals the minimum price of $14,000,000, the trustee will surrender and deliver the certificates for such division equally between the parties and cause new certificates for such shares of stock to be issued.

★ **Benson & Hedges, N. Y. (10/22)**
Oct. 2 filed $3,000,000 of 15-year sinking fund debentures due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—To step up production of Parliament cigarettes. **Underwriter**—Morgan Stanley & Co., New York.

★ **Benson & Hedges, N. Y. (10/22)**
Oct. 2 filed 40,068 shares of common stock (par $4) to be offered for subscription by common stockholders of record Oct. 21 at rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—To step up production of Parliament cigarettes. **Underwriter**—None. Tobacco & Allied Stocks, Inc. (owner of approximately 55% of the present outstanding common stock) will purchase any unsubscribed shares.

Bingham-Herbrand Corp.
Sept. 4 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market (approximately $14 per share). **Proceeds**—To E. E. Parsons, Jr., a director. **Underwriter**—Parsons & Co., Inc., Cleveland, O.

Blackwood & Nichols Co., Oklahoma City, and The Oil and Gas Co., Madison, N. J.
Sept. 26 filed $2,500,000 "contributions in oil property interests (1953 fund)." **Price**—No contributions will be accepted in an amount less than $25,000. **Proceeds**—For acquisition, exploration and operation of oil property. **Underwriter**—None. Solicitations are to be made by Oil and Gas Co.

Bristol Oils Ltd., Toronto, Canada
Sept. 25 filed 1,000,000 shares of common stock (par $1). **Price**—Approximately 64.48 cents per share. **Proceeds**—To acquire leases and for corporate purposes. **Underwriter**—None. To be named by amendment.

Calaveras Cement Co., San Francisco, Calif.
Aug. 15 (letter of notification) 4,100 shares of common stock (par $1). **Price**—At market (estimated at $13 per share). **Proceeds**—To Henry C. Maginn, Executive Vice-President. **Underwriter**—Walston, Hoffman & Goodwin, San Francisco, Calif.

● **California Oregon Power Co. (10/14)**
Sept. 18 filed $7,000,000 first mortgage bonds due Oct. 1, 1982. **Proceeds**—To repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Smith, Barney & Co., Union Securities Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Blyth & Co., Inc., The First Boston Corp. and Salomon Bros. & Hutzler (jointly); Shields & Co. and Blair, Rollins & Co. Inc. (jointly); White, Weld & Co. **Bids**—To be received up to 8 a.m. (PST) on Oct. 14 at American Trust Co., 464 California St., San Francisco, Calif.

NEW ISSUE CALENDAR

October 9, 1952
Central RR. of New Jersey ____ **Equip. Trust Ctfs.**
(Bids to be invited)

October 10, 1952
Seymour Water Co. ____ **Preferred**
(Bids 11 a.m. CST)

October 13, 1952
Foote Mineral Co. ____ **Debentures**
(Offering to stockholders—Estabrook & Co.)

October 14, 1952
Bank of America N. T. & S. A. ____ **Common**
(Dillon, Read & Co. Inc. and Blyth & Co., Inc.)
California Oregon Power Co. ____ **Bonds**
(Bids 8 a.m. PST)
Utah Power & Light Co. ____ **Bonds**
(Bids noon EST)

October 15, 1952
Aeroquip Corp. ____ **Common**
(White, Weld & Co. and Watling, Lerchen & Co.)

October 16, 1952
Central of Georgia Ry. ____ **Equip. Trust Ctfs.**
(Bids noon EST)

October 20, 1952
Carolina Power & Light Co. ____ **Bonds**
(Bids noon EST)
Seiberling Rubber Co. ____ **Debentures**
(Blair, Rollins & Co. Inc.)
Standard Tungsten Corp. ____ **Common**
(Scott, Khoury, Brockman & Co., Inc.)

October 21, 1952
Gulf Sulphur Corp. ____ **Common**
(Peter Morgan & Co.)
Hecht Co. ____ **Common**
(Goldman, Sachs & Co.)
Virginia Electric & Power Co. ____ **Bonds**
(Bids 11 a.m. EST)

October 22, 1952
Allpark Finance Co., Inc. ____ **Debentures**
(C. K. Pistell & Co., Inc.)
Benson & Hedges ____ **Debentures**
(Morgan Stanley & Co.)
Benson & Hedges ____ **Common**
(Offering to stockholders—no underwriting)
Corning Glass Works ____ **Common**
(Harriman Ripley & Co., Inc. and Lazard Freres & Co.)

October 23, 1952
Jefferson Electric Co. ____ **Common**
(Paul H. Davis & Co.)

October 27, 1952
Duquesne Light Co. ____ **Common**
(Bids to be invited)
Redwater Utilities Holdings Oil & Gas Ltd. ____ **Com.**
(White, Weld & Co. and George R. Gardiner, Ltd.)

October 28, 1952
American President Lines, Ltd. ____ **Class A & B**
(Bids 11 a.m. EST)

November 3, 1952
Dow Chemical Co. ____ **Common**
(Offering to stockholders—No underwriting)

November 10, 1952
Sinclair Oil Corp. ____ **Debentures**
(Offering to stockholders—to be underwritten by Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane)

November 12, 1952
American Trust Co., San Francisco ____ **Common**
(Offering to stockholders—Blyth & Co., Inc.)

November 15, 1952
Detroit & Toledo Shore Line RR. ____ **Bonds**
(Bids to be invited)

November 18, 1952
Long Island Lighting Co. ____ **Bonds**
(Bids to be invited)
Pacific Telephone & Telegraph Co. ____ **Debentures**
(Bids 8:30 a.m. PST)

November 24, 1952
Gulf States Utilities Co. ____ **Bonds**
(Bids noon EST)

December 15, 1952
New Orleans Public Service Inc. ____ **Bonds**
(Bids to be invited)

Carolina Power & Light Co. (10/20)
Sept. 17 filed $20,000,000 of first mortgage bonds due 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; W. C. Langley & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp.; Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—To be received up to noon (EST) on Oct. 20 at Room 2033, No. 2 Rector St., New York 6, N. Y.

Cincinnati Enquirer, Inc.
July 25 filed $2,500,000 of 10-year convertible junior debentures due Aug. 1, 1962. **Price**—To be supplied by amendment. **Proceeds**—To pay notes issued to the Portsmouth Steel Corp. **Underwriter**—Halsey, Stuart & Co. Inc., Chicago and New York. **Offering** — Temporarily postponed.

★ **Clinton Machine Co., Detroit, Mich.**
Oct. 1 (letter of notification) 18,035 shares of common stock (par $1). **Price** — $2.50 per share. **Proceeds**—For working capital. **Office**—21535 Groesbeck Road, Detroit, Mich. **Underwriter**—None.

Consumers Cooperative Association, Kansas City, Missouri
Sept. 24 filed $3,000,000 of 10-year 4½% subordinated certificates of indebtedness, $6,000,000 of 20-year 5½% subordinated certificates of indebtedness; and $1,000,000 of 25-year 5½% subordinated certificates of indebtedness; to be offered for sale to members and others. **Price**—At face amount. **Proceeds**—To build plant. **Business**—Wholesale purchasing association. **Underwriter**—None.

★ **Corning Glass Works, Pittsburgh, Pa. (10/22-23)**
Oct. 3 filed 104,104 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters** — Harriman Ripley & Co., Inc. and Lazard Freres & Co., both of New York.

★ **Cowles Co., Cayuga, N. Y.**
Oct. 6 (letter of notification) 3,000 shares of capital stock (par $5) to be offered for subscription by stockholders of record Oct. 1 at rate of one share for each three held; rights expire Oct. 31. **Price**—$25 per share. **Proceeds**—For working capital. **Underwriter**—None, unless 1,000 shares are unsubscribed which will be sold to one individual through Clemens E. Gunn of Gunn, Carey & Co., Cleveland, Ohio.

Crown Drug Co., Kansas City, Mo.
Sept. 18 (letter of notification) $250,000 of 4½% convertible debenture notes due Oct. 1, 1962. **Price**—At par (in denominations of $60, $100, $500 and $1,000 each). **Proceeds**—For working capital. **Office**—2110 Central St., Kansas City, Mo. **Underwriter**—None.

Deerpark Packing Co., Port Jervis, N. Y.
March 21 (letter of notification) 235,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay RFC loan of $41,050 and for working capital. **Offering**—Expected before Oct. 15.

Devil Peak Uranium, Ltd. (Nev.)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds** — For rehabilitation and development program. **Office** — Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., New York.

Dole (James) Engineering Co.
Sept. 19 (letter of notification) 100,000 shares of convertible 5% preferred stock to be offered for subscription by stockholders of record Oct. 6 at rate of one share for each 10 common shares held; rights to expire on Oct. 31. **Price**—At par ($2 per share). **Proceeds**—For general corporate purposes. **Office**—58 Sutter St., San Francisco 4, Calif. **Underwriter**—None.

Dow Chemical Co., Midland, Mich. (11/3)
Sept 23 filed 625,000 shares of common stock (par $5) to be offered as follows: About 420,000 shares for subscription by common stockholders of record Oct. 21, 1952 at rate of one new share for each 50 shares held, and about 205,000 shares for subscription by employees of the company and its subsidiaries and affiliated companies. The offering will open Nov. 3 and close on Nov. 26. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—None.

● **Duquesne Light Co., Pittsburgh, Pa. (10/27)**
Sept. 30 filed 250,000 shares of common stock (par $10), of which 80,000 shares will be offered by company and 170,000 shares by the Philadelphia Co. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Smith, Barney & Co.; Blyth & Co., Inc.; Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly). **Bids**—Expected to be received on Oct. 27.

Farm & Home Loan & Discount Co., Phoenix, Ariz.
July 7 filed 1,613,168 shares of class A common stock (par 25 cents) and 2,744,034 shares of class B common stock (par 35 cents), the class A stock to be sold only to policyholders of The Farm & Home Insurance Co. **Price**—At par. **Proceeds**—To increase capital. **Underwriters**—John J. Rhodes and James E. McNelis, officers and directors of the two companies.

Farmers Underwriters Association, Los Angeles, California
Sept. 25 (letter of notification) 2,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To John C. Tyler, the selling stockholder. **Office**—4680 Wilshire Boulevard, Los Angeles, Calif. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

Floseal Corp., Seattle, Wash.
Sept. 12 (letter of notification) 24,950 shares of capital stock (par $1). **Price** — $12 per share. **Proceeds** — For general corporate purposes. **Address**—c/o The Corporation Trust Co., 1004 Second Ave., Seattle 4, Wash. **Underwriter**—None.

• Foote Mineral Co., Philadelphia, Pa. (10/13)
Sept. 19 filed $1,973,000 of convertible subordinate debentures due Oct. 1, 1967, to be offered for subscription by common stockholders at rate of $500 of debentures for each 66 shares of common stock held as of Oct. 8; rights to expire about Oct. 23. **Price** — 100% of principal amount. **Proceeds**—From sale of debentures, together with funds from bank loans, for construction of new lithium chemical plant, to enlarge ore mining and concentrating plant, for retirement of $200,000 term note held by insurance company, and for additional working capital. **Underwriter**—Estabrook & Co., Boston, Mass.

★ Forming Machine Co. of America, Inc.
Oct. 3 (letter of notification) 175 shares of common stock (par $1) to be offered for subscription by stockholders of record Sept. 23 at rate of one new share for each 15 shares held; rights expire Nov. 9. **Price**—$200 per share. **Proceeds**—For working capital. **Office**—18 Hamilton St., Bound Brook, N. J. **Underwriter**—None.

Front Range Mines, Inc., Denver, Colo.
Sept. 8 (letter of notification) 125,000 shares of common stock (par $1). **Price**—At market (approximately 37½ cents per share). **Proceeds**—To Irene F. Marple, a director. **Underwriter**—Stanley Pelz & Co., Inc., New York.

General Laboratory Associates, Inc. (N. Y.)
Sept. 30 (letter of notification) 7,435 shares of common stock. **Price**—At par ($20 per share) to be offered for subscription by common stockholders of record Oct. 15 at rate of one share for each two shares held; rights to expire Oct. 30. **Proceeds**—For expansion of facilities and to reduce bank loans. **Office**—17 East Railroad Street, Norwich, N. Y. **Underwriter**—None.

★ Glen Roger Credit, Inc., Washington, D. C.
Sept. 24 (letter of notification) 30,000 shares of 6% cumulative convertible preferred stock (each share to be convertible into 1½ class A shares of $1 par value). **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—1108-16th St., N. W., Washington, D. C. **Underwriter**—John C. Kahn Co., Washington, D. C.

★ Great Buffalo Mining Co.
Oct. 1 (letter of notification) 1,200,000 shares of common stock (par one cent), of which 700,000 shares are to be issued in exchange, share for share, for the stock of a predecessor company. **Proceeds**—None. **Office**—209 Atlas Bldg., Salt Lake City 1, Utah.

• Gulf Sulphur Corp. (10/21-22)
Sept. 8 filed 225,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To pay costs of drilling 25 test wells and for other corporate purposes. **Underwriter**—Peter Morgan & Co., New York.

Hawaiian Electric Co., Ltd., Honolulu, T. H.
Sept. 25 filed 50,000 shares of common stock to be offered for subscription by common stockholders of record Oct. 3 in the ratio of one new share for each 10 shares held. **Price** — At par ($20 per share). **Proceeds** — To repay short-term notes and for new construction. **Underwriter**—None.

Hecht Co., Baltimore, Md. (10/21)
Sept. 30 filed 135,000 shares of common stock (par $15). **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Goldman, Sachs & Co., New York.

Hilseweck Minerals Corp., Dallas and Oklahoma City
Sept. 18 filed $1,500,000 of 20-year non-negotiable debentures due Aug. 1, 1972 and 139,920 shares of common stock (par $1). **Price**—$960 per $1,000 debenture, plus common stock subscription warrants for the purchase of 50 shares of common stock. **Proceeds** — For general corporate purposes. **Business**—To engage in oil and gas business. **Underwriter**—None.

Idaho Maryland Mines Corp.
June 6 filed 200,000 shares of common stock (par $1) **Price**—At market (on the San Francisco Stock Exchange). **Proceeds**—To selling stockholder (Gwendolyn MacBoyle Betchtold, as executrix of the last will and testament of Errol Bechtold, deceased). **Office**—San Francisco, Calif. **Underwriter**—None.

International Glass Corp., Beverly Hills, Calif.
Sept. 22 (letter of notification) 299,635 shares of common stock, to be issued as follows: To William Hoeppner, 6,985 shares; to stockholders of Soft-Flex Glass Fabrics Corp., 17,650 shares; and to public, 275,000 shares. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—119 South Beverly Drive, Beverly Hills, Calif. **Underwriter**—Douglass & Co., Beverly Hills, Calif.

Iowa Public Service Co.
Aug. 29 filed 150,122 shares of common stock (par $5) being offered for subscription by common stockholders of record Sept. 25 at the rate of one new share for each eight shares held (with an oversubscription privilege); rights to expire on Oct. 14 **Price**—$21 per share **Proceeds**—To pay off temporary bank loans and for property additions and improvements. **Underwriter**—None.

★ Israel Industrial & Mineral Development Corp., N. Y.
Oct. 6 filed 30,000 shares of class A stock. **Price**—At par ($100 per share). **Proceeds**—For industrial and mineral development of Israel. **Underwriter** — Israel Securities Corp., New York.

★ Jefferson Electric Co., Bellwood, Ill. (10/23)
Oct. 3 filed 100,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To reimburse treasury for cost of additions and improvements to plant. **Underwriter**—Paul H. Davis & Co., Chicago, Ill.

★ Kimberly Corp., Culver City, Calif.
Oct. 1 (letter of notification) 25,000 shares of capital stock (par $1). **Price**—$3.37½ per share. **Proceeds**—To Leo Kimberly and Zyga Taube, selling stockholders. **Underwriter**—Morgan & Co., Los Angeles, Calif.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

McGraw (F. H.) Co., Hartford, Conn.
Sept. 10 (letter of notification) 5,000 shares of common stock (par $2) and warrants to purchase 20,000 shares of common stock at $6 per share to be offered in units of one share and warrants to purchase four additional shares. **Price**—$19.87½ per share. **Proceeds**—To Clifford S. Strike, the selling stockholder. **Underwriter**—Granbery, Marache & Co., New York.

Midcontinent Chemical Co., Grove City, Ohio
Sept. 26 (letter of notification) $50,000 of 5½% secured debentures due March 15, 1963. **Price**—At par (in denominations of $1,000 and $500). **Proceeds**—For working capital. **Underwriter**—The Ohio Company, Columbus, Ohio.

Mineral Exploration Corp., Ltd., Toronto Canada
July 29 filed 2,000,000 shares of common stock, each share to have attached an "A," "B" and "C" warrant, each giving the holder the right to buy one additional share for each two shares purchased in two, three, or five years, at $1, $2 and $3 per share, respectively. **Price**—For 2,000,000 shares, $1 per share—Canadian. **Proceeds**—For exploration, development and acquisition of properties. **Underwriter**—Brewis & White, Ltd., Toronto, Canada. Names of United States underwriters to be supplied by amendment.

Mississippi Chemical Corp., Yazoo City, Miss.
Sept. 29 filed 2,000,000 shares of common stock (par $5), of which 849,038 shares have been subscribed, paid for and issued, and an additional 107,550 shares have been subscribed for as of Aug. 28 and will be issued in connection with expansion of ammonia plant. The remaining shares will be offered for sale primarily to farmers and farm groups. **Price** — At par. **Proceeds** — For new construction. **Underwriter**—None.

★ Mobile Salvage Corp., Washington, D. C.
Sept. 26 (letter of notification) 800 shares of class "A" voting stock and 3,000 shares of class "B" non-voting stock. **Price**—$50 per share. **Proceeds**—For equipment. **Office**—600 F St., N. W., Washington, D. C. **Underwriter**—None.

★ Montana Basin Oil Corp. (N. Y.)
Sept. 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Aetna Securities Corp., New York.

Multiple Dome Oil Co., Salt Lake City, Utah
Sept. 8 (letter of notification) 150,000 shares of common stock. **Price**—At market (approximately 10 cents per share). **Proceeds**—To George W. Snyder, President. **Underwriter**—Greenfield & Co., Inc., New York.

★ National Pigeonhole Parking, Inc., Boise, Ida.
Sept. 24 (letter of notification) 25,000 shares of common stock and 50,000 shares of preferred stock. **Price**—$1 per share. **Proceeds**—To purchase steel structures and mobile hoists. **Underwriter**—None.

National Tank Co., Tulsa, Okla.
Aug. 27 (letter of notification) 4,000 shares of common stock (par $1). **Price**—At the market (estimated at about $24 per share). **Proceeds** — To Jay P. Walker, President, the selling stockholder. **Address** — Drawer 1710, Tulsa, Okla. **Underwriter**—None.

★ National Theatres, Inc., Los Angeles, Calif.
Oct. 3 (letter of notification) 370 shares of common stock (par $1). **Price**—At market (estimated at $4.87½ per share). **Proceeds**—To carry out part of plan of reorganization of Twentieth Century-Fox Film Corp. **Underwriter**—Hayden, Stone & Co., New York.

Nevada Mortgage & Investment Co.
Aug. 25 (letter of notification) 60,000 shares of common stock (par $1) and 240,000 shares of preferred stock (par $1) to be offered in units of four shares of preferred stock and one share of common stock. **Price**—$5 per unit. **Proceeds**—For costs incident to organization and development of business in purchasing and making first and second mortgage loans; and to exercise an option covering sale of income property. **Office**—114 North Third St., Las Vegas, Nev. **Underwriter**—None.

Pacific Western Oil Corp.
Aug. 5 filed 100,000 shares of common stock (par $4). **Price**—At the market. **Proceeds**—To J. Paul Getty, President, **Underwriter** — None, sales to be handled by brokers on the New York Stock Exchange.

Paradise Valley Oil Co., Reno, Nev.
Aug. 20 filed 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To drill six wells on subleased land and for other corporate purposes. **Underwriter**—None, with sales to be made on a commission basis (selling commission is two cents per share). **Office**—c/o Nevada Agency & Trust Co., Inc., Cheney Bldg., 139 N. Virginia St., Reno, Nev.

★ Penn-Allen Broadcasting Co.
Sept. 30 (letter of notification) 18,580 shares of class A common stock (par $10) and 7,432 shares of common stock (par $10) to be offered in units of five class A shares and two common shares. **Price**—$70 per unit. **Proceeds**—To construct a television station and for working capital. **Office**—Masonic Temple Bldg., Allentown, Pa. **Underwriter**—None.

★ Pennsylvania Citrus Groves, Inc., Vero Beach, Fla.
Oct. 8 (letter of notification) 100,000 shares of common stock (par $2). **Price**—$2.50 per share. **Proceeds**—To plant, fertilize and insure citrus fruit trees. **Underwriter**—Graham & Co., Pittsburgh, Pa.

★ Peoples Finance Co. of Denville, N. J.
Oct. 3 (letter of notification) $50,000 of 7% debentures. **Price**—At par ($100 each). **Proceeds**—To make small loans. **Office**—3 Main Street, Denville, N. J. **Underwriter**—None.

Perfect Circle Corp., Hagerstown, Ind.
Sept. 17 (letter of notification) 1,000 shares of capital stock (par $2.50). **Price**—At the market (approximately $14 per share). **Proceeds**—To Herman Teetor, the selling stockholder. **Underwriter** — A. G. Becker & Co. Inc., Chicago, Ill.

Phoenix Budget Loans, Inc., Minneapolis, Minn.
Sept. 22 (letter of notification) 4,000 shares of preferred stock, series A (no par). **Price**—$24 per share. **Proceeds**—For working capital. **Office**—227 Twin City Federal Building, Minneapolis, Minn. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Porter-Cable Machine Co., Syracuse, N. Y.
Sept. 24 (letter of notification) 5,000 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—To two selling stockholders. **Underwriter** — William N. Pope, Inc., Syracuse, N. Y.

Powers Manufacturing Co., Longview, Tex.
Sept. 25 filed 250,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For machinery and equipment and new construction. **Business**—Production of heavy duty power transmission chain, prockets, gears, etc. **Underwriter**—Dallas Rupe & Son, Dallas, Texas.

Pure Oil Co., Chicago, Ill.
July 17 filed 85,688 shares of common stock (no par) being offered in exchange for 471,287 shares of Hickok Oil Corp., class A common stock (par $1) at rate of one Pure Oil share for each 5½ Hickok shares, conditioned upon approval of merger of Hickok into Pure Oil Products Co., a wholly-owned subsidiary of Pure Oil Co. **Underwriter**—None.

★ Redwater Utilities Holdings Oil & Gas Ltd. (10/27)
Oct. 7 filed 1,200,000 shares of common stock (par 50 cents—Canadian). **Price**—To be supplied by amendment. **Proceeds**—To pay for litigation and for general corporate purposes. **Underwriters**—White, Weld & Co., New York; and George R. Gardiner Ltd., Toronto, Ont., Canada (for 600,000 shares each).

★ Reeves Soundcraft Corp., N. Y.
Oct. 3 (letter of notification) 10,245 shares of common stock (par five cents). **Price**—At market (about $2.62½ per share). **Proceeds**—To Bernard Goodwin, the selling stockholder. **Underwriter**—Gearhart & Otis, Inc., New York.

★ Resort Airlines, Inc., Miami, Fla.
Oct. 1 (letter of notification) 20,000 shares of common stock (par 10 cents). **Price**—45 cents per share. **Proceeds**—To Richard A. Miller, the selling stockholder. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Safeway Stores, Inc.
Sept. 12 filed 1,900 shares of 4% cumulative preferred stock (par $100) and 18,000 shares of common stock (par $5) to be issued to James A. Dick Investment Co. (formerly The James A. Dick Co.) in exchange for inventories, fixtures, operating supplies, good will and other assets of Dick. It is anticipated that the Dick Company will sell all or a substantial part of these shares from time to time on the New York Stock Exchange. **Underwriter**—None.

Salt Lake Hardware Co., Salt Lake City, Utah
Sept. 23 (letter of notification) 6,650 shares of common stock (par $10). **Price**—$23.70 per share. **Proceeds**—For working capital. **Office**—105 North 3rd West Street, Salt Lake City, Utah. **Underwriter**—None.

Schulte (D. A.), Inc., New York
Sept. 26 filed 717,149 shares of common stock (par $1), in two blocks, one in the amount of 349,500 shares and the other 367,649 shares, to be sold from time to time on the New York Curb Exchange. **Price**—At market (approximately $2 per share). **Proceeds**—To certain selling stockholders. **Business**—Cigarette and cigar store chain. Underwriter—None.

Seacrest Productions, Inc., Newport, R. I.
Sept. 8 (letter of notification) 5,000 shares of non-voting common stock, series B (no par). **Price**—$10 per share. **Proceeds**—To acquire real estate and buildings, convert sound stages, install recording equipment and cameras, and for other corporate purposes. **Office**—73 Bliss Road, Newport, R. I. **Underwriter** — Kidder, Peabody & Co., Providence, R. I.

Security Title & Guaranty Co., N. Y.
Aug. 22 (letter of notification) 32,000 shares of common stock (par $1). **Price**—At market (about $2 per share). **Proceeds**—To Investors Funding Corp. of New York. **Underwriter**—Dansker Brothers & Co., Inc., New York.

★ Seiberling Rubber Co., Barberton, O. (10/20)
Oct. 1 filed $3,750,000 convertible sinking fund debentures due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—To repay $1,200,000 loan and for working capital. **Underwriter**—Blair, Rollins & Co., Inc., New York.

• Sierra Pacific Power Co.
Sept. 15 filed 26,775 shares of common stock (par $15) being offered for subscription by holders of preferred

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and common stocks of record Oct. 6 on the basis of one share for each six shares of preferred and one share for each 12 shares of common stock; rights to expire about Oct. 20. **Price**—$23 per share. **Proceeds**—From sale of stock, plus proceeds from private sale of $1,500,000 first mortgage bonds in October, 1952, to be used to repay $1,100,000 bank loans and for new construction. **Underwriter**—Stone & Webster Securities Corp., New York, and Dean Witter & Co., San Francisco, Calif.

Signal Mines, Ltd., Toronto, Canada
July 14 filed 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration, development, and mining expenses, and to reimburse Maurice Schack, Secretary-Treasurer. **Business**—Quartzite mining. **Underwriter** — Northeastern Securities Co., New York.

Socony-Vacuum Oil Co., Inc.
Sept. 5 filed 3,180,188 shares of capital stock (par $15) being offered for subscription by stockholders of record Sept. 25 at rate of one new share for each 10 shares held; rights to expire on Oct. 14. **Price**—$31 per share. **Proceeds**—For the acquisition and development of crude oil production, and the expansion and improvement of refining, transportation and marketing facilities. **Underwriter**—Morgan Stanley & Co., New York.

★ Southcam Petroleum Corp.
Sept. 30 (letter of notification) 530,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For drilling expenses. **Underwriter**—Batkin & Co., New York.

Southern New England Telephone Co.
Sept. 22 filed 400,000 shares of capital stock to be offered for subscription by stockholders of record Oct. 8 at rate of one share for each nine shares held; rights to expire Oct. 31. **Price**—At par ($25 per share). **Proceeds**—To repay $3,500,000 advances from American Telephone & Telegraph Co. (owner of 960,296 shares, or 26.67%, of the voting stock of Southern, and for property additions and improvements). **Office**—New Haven, Conn. **Underwriter**—None.

★ Standard Brass & Manufacturing Co.
Sept. 29 (letter of notification) 12,000 shares of common stock. **Price**—At par ($25 per share). **Proceeds**—For working capital. **Office**—K.C.S. and Fourth Streets, Port Arthur, Tex. **Underwriter**—None.

★ Standard Cable Corp., Chickasha, Okla.
Oct. 2 (letter of notification) 38,095 shares of common stock (par 25 cents). **Price**—$2.62½ per share. **Proceeds**—To L. W. Lord, the selling stockholder. **Underwriter**—None.

Streeter-Amet Co., Chicago, Ill.
Aug. 27 (letter of notification) 2,367 shares of common stock (par $50) to be offered for subscription by common stockholders at rate of one new share for each four shares held. **Price**—$100 per share. **Proceeds**—To increase equity capital to take care of increased business and increased costs. **Office**—4101 Ravenswood Avenue, Chicago 13, Ill. **Underwriter**—None.

Sunshine Packing Corp. of Pennsylvania
July 3 filed $1,000,000 of 6% convertible debentures due 1972 (subordinate) and 450,000 shares of common stock (par 50 cents) of which the debentures and 400,000 shares of stock are to be offered in units of $50 of debentures and 20 shares of stock. **Price**—$100 per unit. **Proceeds**—To increase capacity of plant and for working capital. **Underwriter**—Weber-Millican Co., New York.

Sweet Grass Oils, Ltd., Toronto, Canada
July 29 filed 375,000 shares of common stock (no par). **Price**—To be related to quotation on the Toronto Stock Exchange at time of offering. **Proceeds**—For working capital. **Underwriter**—F. W. MacDonald & Co., Inc., New York. **Offering**—Probably some time in October.

Texas General Production Co.
June 4 filed 2,500,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To buy property for oil prospecting. **Office**—Houston, Tex. **Underwriter**—To be named by amendment (probably Hemphill, Noyes & Co. New York). **Offering**—Tentatively postponed.

Texo Oil Corp., Ardmore, Okla.
Sept. 2 (letter of notification) 934,400 shares of common stock (par one cent). **Price**—31¼ cents per share. **Proceeds**—To drill three wells to test formation on corporation's leases in Duval and Live Oak Counties, Texas. **Underwriter**—Stanley Pelz & Co., Inc., New York.

Thompson Trailer Corp., Pikesville, Md.
Aug. 27 (letter of notification) $116,150 of 5% convertible debentures, first issue, due Sept. 1, 1962. **Price**—At par (in units of $50 each). **Proceeds**—For working capital. **Address**—P. O. Box 356, Pikesville, Md. **Underwriter**—None.

★ Timber Owners of New England, Inc.
Oct. 1 (letter of notification) 20,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To expand operations. **Address**—c/o Lawrence W. Rathbun, Concord, N. H. **Underwriter**—None.

Torhio Oil Corp., Ltd., Toronto, Canada
Aug. 21 filed 300,000 shares of common stock (par $1) to be offered first to stockholders and then to the general public. **Price** — 60 cents per share. **Proceeds**—For exploration of oil and gas properties, and to drill a test well. **Underwriter**—None, but offering to public will be handled through brokers.

★ Truax-Traer Coal Co., Chicago, Ill.
Oct. 3 (letter of notification) 800 shares of common stock (par $1). **Price**—At market (approximately $17 per share). **Proceeds**—To Arthur H. Truax, the selling stockholder.

★ Twentieth Century-Fox Film Corp.
Oct. 2 (letter of notification) not to exceed 370 shares of common stock to be issued in connection with plan of reorganization. **Price**—At market (estimated at $11.37½ per share). **Proceeds**—To holders of fractional interests. **Underwriter**—None, but Hayden, Stone & Co., New York, will act as broker.

★ United Benefit Fire Insurance Co., Omaha, Neb.
Oct. 1 (letter of notification) $300,000 of surplus notes. **Proceeds**—To increase surplus. **Office**—3316 Fanam St., Omaha, Neb. **Underwriter**—None.

● Utah Power & Light Co. (10/14)
Aug. 14 filed $10,000,000 of first mortgage bonds due 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Bear-Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler. **Bids**—To be received up to noon (EST) on Oct. 14 at Room 2033, No. 2 Rector Street, New York 6, N. Y.

Van Horn Butane Service, King City, Calif.
Sept. 22 (letter of notification) 10,000 shares of capital stock (no par). **Price**—$16.10 per share. **Proceeds**—For working capital. **Address**—P. O. Box 1, King City, Calif. **Underwriter**—Schwabacher & Co., San Francisco, Calif.

★ Video Products Corp., Red Bank, N. J.
Oct. 3 (letter of notification) 75,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—42 West Street, Red Bank, N. J. **Underwriter**—None.

Virginia Electric & Power Co. (10/21)
Sept. 17 filed $20,000,000 of first and refunding mortgage bonds, series J, due Oct. 1, 1982. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp.; Union Securities Corp.; Salomon Bros. & Hutzler; White, Weld & Co. **Bids**—To be received up to 11 a.m. (EST) on Oct. 21, at 11 Broad Street, New York, N. Y.

Wisdom Magazine, Inc., Beverly Hills, Calif.
Sept. 17 filed 6,600 shares of 5% cumulative preferred stock (par $100) and 6,600 shares of common stock (par $10) to be offered in units of one share of preferred and one share of common stock. **Price**—$110 per unit. **Proceeds**—To publish new national picture magazine. **Underwriter**—None. An earlier registration statement filed July 14, 1952, covering a like offering of preferred and common shares was withdrawn Aug. 1, 1952.

Zenda Gold Mining Co., Salt Lake City, Utah
Aug. 18 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—At market, but not less than par value. (Current quotation of the company's stock on the Los Angeles Stock Exchange is seven cents bid and nine cents offered, if $120,000 gross sales price is received by the issue before all shares are sold, no further shares will be offered). **Proceeds** — For Alaska tin placer leases, exploration and development, retirement of debt, and working capital. **Office**—30 Exchange Place, Salt Lake City 1, Utah. **Underwriter**—Samuel B. Franklin & Co. of Los Angeles, Calif.

Prospective Offerings

★ American Trust Co., San Francisco, Cal. (11/12)
Sept. 30 Blyth & Co. Inc. and associates agreed to purchase at $55 per share such number of common shares sufficient to provide the funds required to retire on Oct. 27 the 4% convertible preferred stock (par $50) remaining outstanding after expiration of the conversion privilege at 5 p.m. (PST) on Oct. 22. The preferred is convertible for common stock on a share-for-share basis. The bank plans offer of additional common stock on or about Nov. 12 on a pro rata basis for a 30-day standby with Blyth & Co., Inc. underwriting.

★ Anheuser-Busch, Inc., St. Louis, Mo.
Oct. 1 it was announced that an offering of 352,992 shares of common stock (par $4) may soon be made. **Price**—To be named later. **Proceeds** — To selling stockholders. **Underwriters**—Expected to be a group of St. Louis investment houses headed by Stifel, Nicolaus & Co.; Reinholdt & Gardner, and Newhard, Cook & Co. **Offering**—Expected in November.

Arkansas Louisiana Gas Co.
Dec. 6, 1951 it was reported company may issue and sell $35,000,000 of first mortgage bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp. **Proceeds**—To repay bank loans and for new construction.

● Arkansas Natural Gas Co.
Oct. 3 it was reported company plans to issue and sell $23,000,000 of sinking fund debentures due 1972. **Proceeds**—To retire $21,877,760 preferred stock at $10.50 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Smith, Barney & Co.

Arkansas Power & Light Co.
Aug. 7 C. Hamilton Moses, President, announced that the company expects to borrow additional money next Spring to finance its 1953 construction program, which, it is estimated, will involve $29,500,000.

★ Bank of America N.T. & S.A. (10/14-15)
Oct. 8 it was announced public offering will be made of 1,341,085 shares of capital stock. **Proceeds**—To Transamerica Corp., the selling stockholder. **Underwriters**—Dillon, Read & Co. Inc., and Blyth & Co. Inc. (latter handling books).

Byrd Oil Corp., Dallas, Tex.
July 22 it was announced stockholders will in the fall receive the right to subscribe for $1,700,000 of 5½% first mortgage (convertible) bonds on a pro rata basis for a 14-day standby (certain stockholders have waived their rights). **Proceeds**—To repay bank loans and for development and exploration expenses. **Underwriters**—Probably Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill.

Central of Georgia Ry. (10/16)
Bids will be received at the office of J. P. Morgan & Co. Incorporated, 23 Wall Stree, New York, N. Y., up to noon (EST) on Oct. 16 for the purchase from the railway company of $2,775,000 equipment trust certificates, series "X," to be dated Nov. 1, 1952, and due $165,000 annually from Nov. 1, 1953 to and including Nov. 1, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

Central Hudson Gas & Electric Corp.
March 4 it was reported company plans the sale this Fall of about $5,500,000 first mortgage bonds. Latest bond financing was done privately in March, 1951 through Kidder, Peabody & Co.

Central Maine Power Co.
Sept. 2 it was announced company soon after March 1, 1953, intends to issue and sell $6,000,000 of first and general mortgage bonds and sufficient common stock to yield approximately $5,000,000 to refund the then outstanding short-term notes. **Underwriters**—To be determined by competitive bidding. Probable bidder—(1) For bonds, Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler. (2) For stock, Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc.

★ Central RR. of New Jersey (10/9)
Bids will be received by the company on Oct. 9 for the purchase from it of $2,895,000 equipment trust certificates dated Oct. 1, 1952 and due $193,000 each Oct. 1 from 1953 to 1967 inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Cleveland Electric Illuminating Co.
Sept. 11 it was reported company plans to raise about $28,000,00 later this year through the sale of additional common stock, probably to its stockholders on a 1-for-5 basis. **Proceeds**—For expansion program. **Underwriter**—None.

Connecticut Light & Power Co.
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952. **Underwriter**—Putnam & Co., Hartford, Conn.

Consolidated Freightways, Inc.
Aug. 26 company applied to the Interstate Commerce Commission for authority to issue and sell 100,000 additional shares of common stock (par $5). **Business**—Second largest motor common carrier of general freight in the United States. **Underwriters**—Blyth & Co., Inc., San Francisco, Calif., and associates. **Offering**—Expected today (Oct. 9).

Detroit & Toledo Shore Line RR. (11/15)
Sept. 17 it was announced that the company is planning to issue and sell $3,000,000 first mortgage bonds due 1982. **Proceeds** — To refund approximately $3,000,000 bonds which mature on Jan. 1, 1953. **Underwriters**—To be determined by competitive bidding. Probable bidders may include Halsey, Stuart & Co. Inc. **Bids**—Expected to be received about Nov. 15.

Duke Power Co.
Sept. 16 company announced that further construction will later on require additional financing. There are, however, no plans for raising any new capital at the present time. Stockholders on Oct. 15 will vote on increasing authorized capital stock to 5,000,000 shares from 1,500,000 shares and on approving a 3-for-1 stock split.

● East Tennessee Natural Gas Co.
Sept. 29 it was announced company proposes to construct about 100 miles of pipe line the estimated cost of which, $5,784,606, is expected to be financed through the issuance of $4,500,000 of first mortgage bonds (which may be placed privately) and $1,300,000 of bank loans. **Traditional Underwriter**—White, Weld & Co., New York.

Eastern Utilities Associates
Sept. 3 it was announced that amended plant of reorganization of this company and subsidiaries calls for issuance by company of $7,000,000 debentures and a sufficient amount of common stock to raise approximately $2,000,000. plan further provides that Blackstone Valley Gas & Electric Co., Brockton Edison Co., and Fall River Electric Light Co. issue mortgage bonds. **Proceeds**—To repay bank loans. **Underwriters**—For EUA debentures may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (for bonds only); Lehman Brothers; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co., Inc. (jointly).

★ Equitable Gas Co.
Oct. 3 it was announced Philadelphia Co. proposes to invite competitive bids for its holdings of $6,354,000 of 20-year 3⅜% sinking fund debentures, due March 1, 1970, of Equitable Gas Co. Probable bidders: Halsey,

Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); and Harriman Ripley & Co., Inc. Persons wishing to submit a bid should notify Philip A. Fleger, President, on or before Oct. 14.

European American Airlines, Inc.
June 11 it was reported company plans to raise an additional $400,000 of equity capital. An issue of $200,000 of capital stock was just recently placed privately at $7.50 per share. Underwriter — Gearhart, Kinnard & Otis, Inc., New York.

★ First National Bank of Dallas (Tex.)
Oct. 8 stockholders of record Oct. 7 were given the right to subscribe on or before Oct. 21 for 200,000 additional shares of capital stock (par $10) at rate of 4/15 of a share for each common share held. **Price** — $25 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane, First Southwest Co.

★ Frontier Refining Co.
Oct. 1 it was reported directors have authorized issuance and sale of $1,000,000 additional convertible debentures. **Proceeds**—To increase refining capacity. **Underwriters**—Peters, Writer & Christensen, Inc.; Sidlo, Simons, Roberts & Co.; Boettcher & Co.; and Bosworth, Sullivan & Co. handled sale in May 1, 1951 of a like amount of 5½% debentures due in 1961.

Georgia & Florida RR.
Sept. 22 company applied to ICC for authority to issue and sell $717,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler.

Gulf Interstate Gas Co., Houston, Tex.
Sept. 16 company applied to the FPC for authority to construct an 860-mile pipeline extending from southern Louisiana to a point in northeastern Kentucky. This project would cost about $127,887,000. Transportation of gas is expected to commence by Nov. 1, 1954.

★ Gulf States Utilities Co. (11/24)
Oct. 3 it was announced company plans to offer and sell $10,000,000 of first mortgage bonds. **Proceeds**—For new construction and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers; Stone & Webster Securities Corp. **Bids**—Expected to be received up to noon (EST) on Nov. 24.

● International Bank for Reconstruction and Development ("World Bank")
Oct. 7 it was announced bank plans to issue and sell $60,000,000 of 3½% sinking fund debentures to be dated Oct. 15, 1952, and to mature Oct. 15, 1971. **Price**—98% of principal amount. **Underwriters**—The First Boston Corp. and Morgan Stanley & Co., both of New York. **Offering**—Expected today (Oct. 9).

★ International Minerals & Chemical Corp.
Oct. 1 it was announced stockholders will vote Oct. 28 on approving issuance of up to $20,000,000 of subordinated convertible debentures. **Proceeds**—For expansion program. **Underwriter**—White, Weld & Co., New York.

Kansas City Power & Light Co.
Sept. 15 company announced that it plans to issue and sell late in 1952 $12,000,000 principal amount of first mortgage bonds **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazzard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

★ Laclede Gas Co.
Oct. 1 it was reported company may issue and sell $10,000,000 to $12,000,000 of securities, probably bonds. **Proceeds**—For new construction. In August of last year, an issue of $8,000,000 3¾% first mortgage bonds due 1976 was placed privately through Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane.

Long Island Lighting Co. (11/18)
Aug. 27 company announced its plan to issue and sell $20,000,000 additional mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Smith, Barney & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly). **Bids**—Tentatively scheduled to be received on or about Nov. 18.

● Maine Central RR.
Sept. 25 the ICC authorized company to issue and sell $1,500,000 of divisional lien (Portland & Odgensburg Ry. line) 5% bonds, due 1977, without competitive bidding. **Proceeds**—Together with other funds, will be used to retire the outstanding $1,676,000 Portland & Ogdensburg Ry. first mortgage 4½% bonds which mature Nov. 1, 1953. **Underwriters** — Blair, Rollins & Co. and Coffin & Burr, Inc. (latter handling books). **Offering**—Expected today (Oct. 9).

● MidSouth Gas Co.
Sept. 23 company was authorized by FPC to construct 191 miles of natural gas pipeline and to acquire an existing 38-mile line from Arkansas Power & Light Co. at an aggregate estimated cost of $4,524,200. Stock financing in July, 1951, was underwritten by Equitable Securities Corp.; T. J. Raney & Sons; and Womeldorff & Lindsey.

Mississippi Power & Light Co.
March 14 it was reported company plans to issue and sell in November an issue of $8,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

Mutual Telephone Co. (Hawaii)
Sept. 23 it was announced company expects to place privately in October an issue of $2,500,000 3½% bonds and plans to issue and sell next year about $3,000,000 securities, half in preferred stock and half in common stock. **Traditional Underwriter**—Kidder, Peabody & Co., New York.

National Credit Card, Inc., Portland, Ore.
Sept. 8 it was reported company is considering doing some equity financing (probably in the form of class B stock of $20 par value).

New Orleans Public Service Inc. (12/15)
July 24 company announced plans to issue and sell $6,000,000 of first mortgage bonds due Dec. 1, 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Union Securities Corp. **Registration** — Expected about Nov. 14. **Bids** — Tentatively set for Dec. 15.

Northern Indiana Public Service Co.
Sept. 18 it was reported company may issue and sell shortly after the close of this year some additional preferred and common stock. **Underwriters**—May be Central Republic Co. (Inc.), Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane.

Northern Natural Gas Co., Omaha, Neb.
Sept. 17 company sought FPC authority to construct pipeline facilities to cost an estimated $69,826,000. This would include about 442 miles of main pipeline additions; installation of a total of 73,600 h.p. in new and existing compressor stations; and numerous branch line additions. Probable bidders for debentures or bonds; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First mortgage pipeline bonds, and preferred and common Boston Corp. and Kidder, Peabody & Co. (jointly). Common stock financing will probably be done via rights.

Oklahoma Metropolitan Oil & Gas Corp.
Sept. 10 it was announced that company plans some additional common stock financing in about two or three weeks. **Proceeds**—For acquisition of properties, working capital and drilling expenses, etc. **Underwriter**—Scott, Khoury, Brockman & Co., Inc.. New York.

Pacific Associates, Inc.
Sept. 13 it was reported corporation plans to sell publicly an issue of prior preference stock to finance expansion of Kaar Engineering Corp. of Palo Alto, Calif.

Pacific Northwest Pipeline Corp.
Aug. 29 company filed a second substitute application with the FPC proposing to construct a 1,384-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $179,000,000. Financing is expected to consist of first stocks, and is expected to be completed by April, 1953. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp., Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
Sept. 3 company was authorized by the California P. U. Commission to offer for subscription by stockholders an additional 703,375 shares of common stock (par $100) in the ratio of one new share for each nine shares of common or preferred stock held. American Telephone & Telegraph Co., the parent, presently owns approximately 90% of the outstanding common stock. **Price**—At par. **Proceeds**—To repay construction loans and for further expansion. **Underwriter**—None. **Offering**—Expected sometime in December.

Pacific Telephone & Telegraph Co. (11/18)
Sept. 3 California P. U. Commission approved a proposal authorizing the company to issue and sell $35,000,000 of debentures due Nov. 15, 1979. **Proceeds** — For repayment of advances and bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Union Securities Corp. (jointly); White, Weld & Co.; Morgan Stanley & Co. **Bids**—Tentatively set to be received at 8:30 a.m. (PST) on November 18.

★ Peoples Gas Light & Coke Co.
Sept. 29 it was announced company plans issue and sale to present stockholders of 186,715 shares of capital stock on a one-for-five basis. **Price**—At par ($100 per share). **Proceeds**—For expansion program. **Underwriter**—None.

★ Pressed Steel Car Co., Inc.
Oct. 3 it was announced a secondary offering of 300,000 shares of common stock may be made tomorrow (Oct. 9). **Price**—Around market. **Proceeds**—To selling stockholders. **Underwriter**—Lehman Brothers, New York.

San Diego Gas & Electric Co.
July 1, L. M. Klauber announced that of the more than $18,000,000 required for capital improvements in 1952, approximately $4,000,000 will become available from depreciation reserves and earned surplus, while the remainder must be secured through the sale of securities. **Underwriter**—Blyth & Co., Inc. handled previous preferred stock financing.

Seymour Water Co., Seymour, Ind. (10/10)
Bids will be received by the company up to 11 a.m. (CST) on Oct. 10 at its office, 114 South Chestnut St., Seymour, Ind., for the purchase from it of 5,000 shares of cumulative preferred stock (par $25). No proposal for less than par and no dividend rate in excess of 6% will be considered.

★ Sinclair Oil Corp. (11/10)
Oct. 6 company announced it plans to file with the SEC in the latter part of this month a registration statement covering a proposed issue of about $100,000,000 new convertible subordinated debentures to be offered initially to stockholders. **Price**—To be determined at a later date. **Proceeds** — For expansion program. **Underwriters** — Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York. **Registration**—Statement expected to be filed on or about Oct. 20.

★ Smith-Douglass Co., Inc., Norfolk, Va.
Oct. 1 it was reported company and some stockholders may soon offer a substantial amount of common stock. **Business**—Manufacturer and distributor of mixed fertilizers and fertilizer materials. **Underwriter**—F. Eberstadt & Co., New York.

Southern Natural Gas Co.
Sept. 15 it was announced that the company expects to sell additional bonds during the first six months of 1953 in the amount then permissible under its mortgage indenture, and to provide for other permanent financing by the sale of additional first mortgage bonds or other securities in such amounts as may be appropriate at the time. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp., Blyth & Co. Inc. and Kidder, Peabody & Co. (jointly). Any stock financing may be via stockholders.

Southern Ry.
Aug. 20 the ICC denied the application of this company for permission to sell not exceeding $46,000,000 of new bonds without complying with the usual competitive rules. If offered competitively, the bidders may include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co. **Proceeds**—To meet in part the outstanding bond maturities of Southern Ry. and New Orleans Terminal Co.

Southwestern Public Service Co.
Aug. 4 it was reported that company may do some additional common stock financing (with offer to be made first to stockholders) and use the proceeds toward its construction program which, it is estimated, will involve approximately $23,000,000 for the year ended Aug. 31, 1953. Additional bond and preferred stock financing may also be necessary; this previously was done privately. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ Standard Tungsten Corp. (10/20)
Oct. 1 is was reported company planned to issue and sell 150,000 shares of common stock. **Price** — $2 per share. **Underwriter** — Scott, Khoury, Brockman & Co., Inc., New York. Letter of notification expected to be filed about Oct. 10.

● Texas-Ohio Gas Co.
Sept. 30 FPC scheduled an oral argument for Oct. 20 on a motion by National Coal Association and others to deny company's application to build a 1,406-mile pipeline extending from Texas into West Virginia and to import natural gas from Mexico. The estimated cost of the project is over $184,000,000. **Underwriter**—Kidder, Peabody & Co., New York.

Toledo Edison Co.
Sept. 22 company announced that company plans to construct a $25,000,000 steam generating station on a 400-acre site now being acquired near Toledo, Ohio, for about $750,000. It was reported that this may be financed in part with the sale later this year of about 400,000 additional shares of common stock. Probable bidders may include: Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Smith, Barney & Co. and Collins, Norton & Co. (jointly); Lehman Brothers, Harriman Ripley & Co., Inc., Bear, Stearns & Co. and Carl M. Loeb, Rhoades & Co. (jointly); W. C. Langley & Co.

United Gas Corp., Shreveport, La.
Sept. 10 Electric Bond & Share Co. applied to SEC for authority to offer for subscription by its stockholders 525,000 shares of common stock (par $10) of United Gas Corp. on a 1-for-10 basis. **Price**—To be named later. **Proceeds** — To Electric Bond & Share Co., which now (owns 3,165,781 shares, 27.01%) of outstanding United Gas stock. **Underwriter**—None. **Registration**—Expected around Oct. 15.

United States Pipe Line Co. (Del.)
Sept. 25, 1950 it was announced that this company had been formed to build, own and operate a petroleum products pipeline from the Texas Gulf Coast to St. Louis, Chicago and other midwest markets to operate as a "common carrier." The initial financing has been arranged for privately with no public offering expected for at least two years. E. Holley Poe and Paul Ryan, of 70 Pine St., New York, N. Y., are the principal officers of the corporation. **Underwriters**—Probably Dillon, Read & Co. Inc. and Glore, Forgan & Co., both of New York.

Western Natural Gas Co.
Sept. 2 stockholders approved the creation of an authorized issue of 500,800 shares of preferred stock (par $30), of which the company plans to offer about 170,000 shares as convertible preferred stock (carrying a dividend rate of about 5%) for subscription by common stockholders. **Proceeds**—To redeem 2,053 outstanding shares of 5% preferred stock (par $100), to retire bank loans and for new construction. **Traditional Underwriter**—White, Weld & Co., New York.

Our Reporter's Report

The corporate new issue market this week experienced one of the fastest undertakings in many months. But the underwriting fraternity was not disposed to regard this development as indicative of a change in basic conditions.

Rather it was the consensus that United Gas Corporation's $60,000,000 of new debentures, which drew three bids when put up for competitive sale, were exceptionally attractive for several reasons.

Accordingly, the broad, general demand which greeted this issue after momentary hesitation at the outset was regarded as in the nature of a special situation, and not as indicative of any change in the thinking of institutional buyers.

Priced for reoffering at 102.35 for an indicated yield of 4.20%, and carrying a 4⅜% coupon, the debentures, considering the credit rating of the company, were attractive on that count alone to many institutional portfolio men.

But the issue carried other features which helped add to its appeal. The 20-year maturity is a term not too frequently available these days and fitted nicely into many situations. And with the attached sinking fund the average life of the issue drops to 15 years.

Pension Funds Buyers

Larger institutions came in for good-sized blocks of the United Gas debentures, but not until after some smaller operators like pension funds and trusts had touched off the parade.

Some of the latter had recently been leaning to high-grade preferred stocks where the yield afforded ranged between 4% and 4½% in search of suitable return.

The United issue therefore quite naturally was one that such investment outlets could not readily afford to overlook and quite evidently they came in with a rush that speeded up their larger competitors.

Increasingly Popular

Oil companies have been leaning increasingly in the direction of convertible obligations in financing their expansion programs. The latest of the larger companies in the field to adopt this type of security is Sinclair Oil Corp.

It will go into registration shortly with the Securities and Exchange Commission to cover an issue of about $100,000,000 of new subordinated debentures.

And while stockholders naturally will get the privilege of exercising their pre-emptive rights to subscribe to this issue, it will be underwritten by investment bankers who will acquire any unsold portion of the debentures for ultimate disposal by public offering or direct placement.

World Bank Bonds at 98

The $60,000,000 offering of debentures being made today by bankers for the International Bank for Reconstruction and Development carry a 3½% coupon and a price tag of 98.

This setup makes for an indicated yield to the buyer of approximately 3.65%, which, it was believed in investment circles, would make them attractive to buyers interested in this type paper.

Discussion around the Street was indicative of preliminary inquiry in volume which more or less assured a quick closing of the books.

Two Small Issues Ahead

Next week, shortened by the Columbus Day recess, promises to be a quiet period in new underwriting activities. Only two small utility issues are in the cards as things now stand, although the roster could be swelled by the addition of one or two negotiated projects.

On Tuesday, California-Oregon Power Co. will open bids for $7,000,000 of 30-year first mortgage bonds. This business, it is indicated, will draw a host of investment banking bids.

The following day Utah Power & Light Co., will sell $10,000,000 of 30-year bonds to finance construction ahead. Here again aggressive bidding is indicated.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (Oct. 9) $2,450,000 St. Louis, Brownsville & Mexico Ry. equipment trust certificates, series EE, to mature annually Oct. 15, 1953 to 1962, inclusive. The certificates are priced to yield from 2.35% to 3.25%, according to maturity, and the offering is subject to the authorization by the Interstate Commerce Commission.

The certificates are secured by 500 new 50 ton all-steel box cars estimated to cost $6,200 per unit, or an aggregate of $3,100,000.

Other members of the underwriting group are—R. W. Pressprich & Co.; Freeman & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; McMaster Hutchinson & Co.

Howard, Weil Firm Expands Quarters

NEW ORLEANS, La.—Howard, Weil, Labouisse, Friedrichs and Company opened new offices at 222 Carondelet Street, it was announced by John P. Labouisse, member of the firm.

"We are extremely glad to join our other good friends and neighbors who occupy that section of Carondelet — known as the Wall Street of New Orleans," said Mr. Labouisse. "Within a few feet of our door are located the Cotton Exchange, Louisiana Bank, Hibernia National, National American Bank, the Progressive, the Federal Reserve, Kohlmeyer & Company and Scharff & Jones, the National Bank of Commerce, and Steiner Rouse. We know that this location will be convenient to everyone concerned.

"Our offices will be located on the ground floor of the Carondelet Building. Extensive and radical improvements have been made to adapt the space to the use of an investment banking firm. The decor is modern with liberal use of mahogany panelling and glass. An interesting feature is that much of the office furniture and cabinets are built into the walls and panels. We believe that nothing has been overlooked that might contribute to the comfort of our clientele and the efficiency of our operation. We hope our friends will come in and pay us a visit."

Howard, Weil, Labouisse, Friedrichs and Company represent a combination of the former business of Weil and Company, Inc., organized in 1922, and Howard, Labouisse, Friedrichs and Company, organized in 1946. The business of these firms was merged in August, 1950 to form the present partnership.

The firm has been prominently identified with local, municipal and corporate financing, and has participated as an underwriter in numerous security issues of national interest.

Partners of the firm are G. Shelby Friedrichs, Alvin H. Howard, John P. Labouisse, Walter H. Weil, Jr. and Paul T. Westervelt.

The firm holds memberships on the Midwest Stock Exchange and the New Orleans Stock Exchange and maintains active markets in municipal bonds, local bank stocks, and other corporate securities. Particular attention has been devoted to financing established local businesses.

Associated with the firm are J. Thomas Whalen, in charge of the Trading Department; Fred W. Helmke, Cashier; and Gerland J. Foucha, Assistant Cashier.

Registered representatives are James A. Anderson, III; Paul C. Boudousquie, Jr.; Thomas C. Holmes, Jr.; Felix Holand; Martin A. Macdiarmid; Albert J. Mayer, and Gordon O. Quackenbos.

Winners at Outing of New Jersey Bond Club

The Bond Club of New Jersey on Thursday, October 2nd at the Essex County Country Club, held its Dutch Treat Golf Day and Beefsteak dinner served by Ken Force, "Maestro of the Barbecue." The outing, which was most successful, was attended by about 100 members and 85 guests.

Winners of the golf tournament for members were Roald A. Morton, The Blue List, low gross in Class A, and John B. Byram, Northern Trust Company, low gross, Class B. Philip Arnheiter, Adams & Hinckley, Newark, won low gross in the tourney for guests, with Frank D'Alessandro, Orange Valley Bank, runner up.

The Kickers Handicap was won by Charles Peine, Tucker, Anthony & Co., and Harry Zimmer of the Commercial Trust Company, Jersey City, N. J.

Winners of the Duplicate Bridge Tournament were Raymond Heiskel, C. F. Childs & Co.; David Kales, Wood, Gundy & Co.; Ed Wrightsman, and James Ransom, Harris Trust & Savings Bank.

Special prizes which were awarded by Joseph Musson of B. J. Van Ingen & Co., Inc., Chairman of the Prize Committee, included a trip to Bermuda, won by John Roe, Hudson City Savings Bank.

Fred Brow, White Weld & Co., is President of the Bond Club of New Jersey; Glen Thompson, National City Bank of Newark, was Chairman of the Field Day Committee.

Joins Walston, Hoffman

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Wayne Jewell is now associated with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Jewell was previously with Francis I. du Pont & Co. and Davies & Co.

John J. O'Brien & Co. To Admit H. A. Graver

CHICAGO, Ill.—On October 16, Harry A. Graver will become a limited partner in John J. O'Brien & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.

R. A. Harrison Adds

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — E. L. McClure is now affiliated with Richard A. Harrison, 2200 Sixteenth Street.

With C. N. White & Co.

(Special to The Financial Chronicle)

OAKLAND, Calif. — Ernest M. Dickson has joined the staff of C. N. White & Co., Central Bank Building.

Continued from page 46

Mutual Funds

phasizes their broadly invested funds, the separate industry classes have proven to be sound and useful vehicles for investors who seek income and market action different than that available through broad averages.

This different action can be in the direction of greater than average rise—the present interest in the electronics industry is of this type—or it may be for greater stability of income and price as is evidenced by current substantial interest in tobacco stocks.

THE FORMULA FUND of Boston, an open-end investment company, announces the appointment of duPont, Homsey & Co., members of the New York and Boston Stock Exchanges, as principal underwriter for its shares.

Formula Fund, established in 1949, operates on the principle that proper timing of purchases and sales of securities is the key to successful investing. It has an approved list consisting of both "defensive" and "aggressive" sections, the proportions to be invested in each depending on specific pre-determined individual price levels for equities in the "aggressive" portion of the portfolio.

THE CURRENT issue of "Brief Case," published by Distributors Group for investment dealers, quotes from a report of the Committee on Prudent Man Rule of American Bar Association in which investment trusts as a medium for trustee investment is discussed:

"Investment trust and investment company shares should be appropriate trustee investments without specific instrument authority. They have long since achieved investment quality and for years have been purchased by men of prudence, discretion and intelligence, with regard for income and capital safety.

"Small banks and most individual trustees are not equipped to handle investments because of inadequate research facilities; for these, well-managed investment trust shares may furnish a much-needed, economical investment medium. . . . The beneficiary income is more stable and less at risk than in many securities acceptable under the Prudent Man Rule."

IN THE FINAL ratings of the independent board of judges in the "Financial World" Survey of Annual Reports, National Securities & Research Corporation was judged as having the best Annual Report of the Mutual Fund category for the ninth consecutive year.

The bronze "Oscar of Industry" trophy will be presented to Henry J. Simonson, Jr., President of the company, at the Annual Awards Banquet in the Grand Ballroom of the Hotel Statler, New York, on Oct. 28, 1952.

A total of 5,000 annual reports were considered this year in the international competition, the twelfth in the series of surveys, and these were judged in one hundred industrial classifications for the "Best of Industry" awards. In the mutual fund category, Investors Mutual, Incorporated was runner-up for top honors, while Group Securities, Incorporated placed third.

Weston Smith, Executive Vice-President and originator of the annual report surveys, will present the "Oscar of Industry" trophies at the annual awards banquet, which will be attended more than 1,300 business and financial executives from all over the United States and Canada.

OPEN-END REPORTS

NET ASSETS of Commonwealth Investment Company totaled $54,633,811 on Sept. 30, 1952, compared to $42,493,826 at the beginning of the year, an increase of 28%, it was announced yesterday. There were 7,973,571 shares outstanding on Sept. 30, against 6,212,732 on Dec. 31, 1951, and the number of shareholders has increased to 34,000 from 25,600.

For the first nine months of 1952, distributions have been paid in the amount of 18 cents per share from investment income and 4 cents per share from realized security profits.

TOTAL ASSETS of Group Securities Tobacco Shares on September 30 last, were $1,985,207, compared with $1,338,916 on March 31 last.

First Boston Group Offers United Gas 4⅜% Debentures

The First Boston Corp., Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. head an underwriting group which is offering for public sale today (Oct. 9) a new issue of $60,000,000 United Gas Corp. 4⅜% sinking fund debentures due Oct. 1, 1972 at 102.35% plus accrued interest to yield approximately 4.20% to maturity. The issue was awarded at competitive sale on Tuesday.

Proceeds of the sale will be used by the corporation to repay $40,000,000 bank loans incurred in connection with the construction program of the corporation and its subsidiary, United Gas Pipe Line Co., to finance in part the completion of this program and for other corporate purposes. The construction program which covers the years 1951-1953 is estimated to cost $245,328,000, the major project being construction of a thousand miles of large-diameter pipeline, including compressor stations, and gathering systems at a cost of $125,296,000. As of June 30, 1952 construction expenditures made amounted to $158,664,000.

A semi-annual sinking fund, commencing Oct. 1, 1954 and continuing to and including April 1, 1972, is designed to retire $41,483,000 of the debentures by maturity and the sinking fund redemption prices start at 102.28% in the 12 months ending Sept. 30, 1954 and decrease to 100% after Sept. 30, 1971. Optional redemption prices range from 104.85% if redeemed during the 12 months ending Sept. 30, 1953 to 100% if redeemed after Sept. 30, 1971.

United Gas Corp. owns all of the oustanding securities of Union Producing Co. and of United Gas Pipe Line Co. and about 75% of the oustanding capital stock of Duval Sulphur & Potash Co.

With its wholly owned subsidiaries, the corporation constitutes a system engaged in the production, purchase, gathering, transportation and sale of natural gas. The United System serves parts of Texas, Louisiana and Mississippi and also extends to Mobile, Alabama and Pensacola, Florida and to the International Boundary at Laredo, Texas. The system produced about 26% of its total natural gas requirements during the 12 months ended June 30, 1952.

For the 12 months ended June 30, 1952 United Gas Corp. and subsidiaries consolidated reported total operating revenues of $133,902,136 and gross income before income deductions of $22,432,138.

Continued from page 8

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION—GOLF TOURNAMENT

The golf tournament of the National Security Traders Association will be held between the hours of 10:30 a.m. and 1:00 p.m. on Wednesday, Oct. 23, at the Bayshore Country Club, Miami Beach, Fla. The club is located about a five minute drive from the Roney Plaza Hotel, Convention Headquarters. Entrants to the tournament will be received any time through Tuesday at a desk in the lobby of the Roney Plaza Hotel. Pairing will be made Tuesday evening. When registering for the tournament, would appreciate if you give us a bona fide club handicap, if possible, if you cannot, speak to the committee and handicap will be given.

Special prizes will be awarded by low net and runner-up and low gross and runner-up. Also, there is a special blind bogey prize and for this you may take any handicap you think you need to score between 70 and 80.

The National Quotation Bureau will furnish the usual prize for the winning city team. The Blue List will furnish the prize for the municipal traders.

It is hoped that as many of the affiliated organizations as possible will be represented by a team of four.

It is also hoped as many as possible attending the Convention will bring golf equipment, as Miami has a number of fine golf courses and a large entry in the tournament is desired.

Clint Whitehead, Merrill Lynch, Pierce, Fenner & Beane, and Bill Atwill, Atwill & Company, both of Miami, are in charge of golf at the Convention.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

Joseph E. Smith

C. L. Wallingford

Joseph R. Dorsey

James G. Mundy

Edgar A. Christian

At the Sept. 23 meeting of the Investment Traders Association of Philadelphia the following officers were elected:

President—Joseph E. Smith, Newburger & Co.

First Vice-President—Charles L. Wallingford, H. M. Byllesby & Co.

Second Vice-President—Joseph R. Dorsey, Merrill Lynch, Pierce, Fenner & Beane.

Treasurer—James G. Mundy, Stroud & Co., Inc.

Secretary—Edgar A. Christian, Janney & Co.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Oct. 2, 1952 are as follows:

Team—	Points
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	18
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	17
Goodman (Capt.), Smith, Valentine, Meyer, Farrell, Brown	15
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Searight	14
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid, McGovern	14
Krisam (Capt.) Ghegan, Jacobs, Gannon, Cohen, Strauss	12
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold, Young	11
Lytle (Capt.), Growney, Craig, Fredericks, Bies, Lyons	11
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	11
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard, Lopato	10
Bean (Capt.), Frankel, Casper, Nieman, Bass, Krassowich	9
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	8

200 Point Club

Richy Goodman ----- 210
Artie Burian -------- 210
Artie Burian -------- 209
Dick Montanye ------ 202

5 Point Club

Duke Hunter
Cy Murphy

$60 Million Issue Of World Bank Bonds Offered to Investors

The International Bank for Reconstruction and Development, better known as the World Bank, is bringing to the American investment market today (October 9) a new issue of $60,000,000 3½% bonds due Oct. 15, 1971. Priced at 98, plus accrued interest to yield approximately 3.65 per cent to maturity, the dollar bonds are being offered publicly by a nation-wide group of 139 banks and investment firms headed by The First Boston Corporation and Morgan Stanley & Co.

The aggregate principal amount of the six bond issues sold previously by the Bank in the United States, since the initial offering in 1947, is $550,000,000. The current financing is the second to be undertaken in this country on a negotiated underwriting basis. In May, 1952, an issue of $50,000,000 3⅜% bonds was successfully sold through a group of 119 banks and investment firms headed by Morgan Stanley & Co. and The First Boston Corporation. Of the other offerings, two issues were sold on a nationwide agency basis, another was sold by competitive bidding, and two issues were sold on a sponsorship basis. In addition, the Bank has sold one issue each in England and Canada and three in Switzerland.

Sinking fund provisions on the new bonds, calling for the retirement of $2,000,000 of bonds on or before Oct. 15, 1957 and in each year thereafter to and including 1966, and $2,500,000 in each of the years 1967 to 1970, are calculated to retire 50% of the issue prior to maturity. The bonds are redeemable for the sinking fund at par. General redemption prices range from 101½ if redeemed on or before Oct. 15, 1957, to par after Oct. 15, 1968. Proceeds from the sale of new bonds will be used in the general operations of the Bank.

Gross, Rogers Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Hazel G. De Castro has become associated with Gross, Rogers, Barbour, Smith & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Joseph F. Gleicher to Samuel W. Meisel will be considered by the Exchange on Oct. 16.

Roman & Johnson Formed

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla.—U. G. Roman and Gordon A. Johnson have opened offices at 235 Southeast Fifth Avenue to conduct a securities business under the firm name of Roman and Johnson, Investment Securities. Mr. Roman was formerly with Francis I. du Pont & Co. in Los Angeles and Chicago and prior thereto was with Enyart, Van Camp & Co., Inc. and Equitable Securities Co. of Illinois.

Joins Yates Staff

(Special to The Financial Chronicle)

CARMEL, Calif. — Royal B. Burnett has joined the staff of George V. Yates & Co., Jorgenson Building.

Joins Blyth & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Elwin Miller has become connected with Blyth & Co., Inc., Russ Building.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Within a period of some three months the 1-year Treasury rate has for all practical purposes been boosted to 2⅛% from 1⅞%. AND—

Money has been made tight as a result of the direct intention of the Federal Reserve System that it be made so.

Ever since the Treasury-Federal Reserve accord of March 4, 1951, but particularly since William McChesney Martin became Chairman of the Federal Reserve Board, the Reserve has moved toward taking command of the money market and toward assuming the traditional role of the Federal Reserve in effecting an influence over the supply and cost of credit money so as to promote stability.

These steps have been taken as slowly as they have been taken surely. There has been little fanfare, little breast-beating, but the current status of the money market is believed to reflect to authoritative observers the achievement of the intention expressed by Chairman Martin last March in a hearing before the Patman monetary committee.

In that presentation, Mr. Martin expressed the intention that the Reserve would move toward the use of conventional monetary devices, especially the use of the discount rate and open market operations, so as to achieve the degree of influence it could over money market conditions.

It is the present belief of the Reserve Board that economic conditions make for an outlook of stability, at least for the next several months. It is the further belief that this stability can be secured if there is no move taken to increase the monetary supply.

At the moment the Reserve is concentrating upon doing what it can to restrain the expansion of the money supply. There appears to be evidence of some considerable success. So far, the seasonal advance in commercial and industrial loans has been almost equal to the advance last year despite the inflationary or cost-raising influence of the steel wage settlement and the other wage boosts which have followed in its wake. These were expected to raise the cost of doing business and hence aggravate dollar-wise the seasonal demand for loans. This so far doesn't appear to have happened, although it may still show up later this fall.

Federal Reserve Will Hold Its Position

This decision of the Federal Reserve to combat inflation is said to be no timorous passing move made while the eyes of the politicians are turned away to the campaign and while the conditions are propitious.

Hence the significance of Federal Reserve policy is said to go far beyond the current situation of reflecting an achieved tightness of money and a higher cost for the same. It goes even beyond the fact, it is explained, that as a consequence of tight money the commercial banks are exercising an anti-inflation control of their own.

Member banks know that their supply of loanable money is limited. Hence they must pick and choose from among their opportunities to lend. Banks know that if they attempt to make a large and continuing demand upon the Reserve banks for borrowed funds it will be only a question of time before the present discount rate of 1¾% will be boosted to a true penalty rate. So far they have not shown any disposition to stay regularly in debt to the Reserve, and thus disclose their positions in their quarterly reports.

The long-range significance of this policy is said to be that the Federal Reserve will combat inflation. Yet regular, planned, inflation is the keystone of the "Fair Deal" program.

Blocks Fair Deal

Thus the policy and disposition of the Federal Reserve System is to combat the creeping and designed inflation which is the fundamental objective of the Fair Deal so as to achieve constantly rising wages and an enlarging "gross national product."

Just how much backing the Reserve Board would get from General Eisenhower if he were elected, is difficult to deduce from the candidate's views on fiscal matters. Governor Stevenson, on the other hand, has indicated inflation was inevitable so long as the Russian menace remained, and that he would, like Truman, stand behind direct controls to mitigate inflation.

Thus the Reserve is taking a position which indicates direct conflict should a new Administration follow the policy of the old of Treasury deficits and price and direct credit controls.

Hits Mortgage Loans

Incidentally, it is reliably anticipated that in due course the tight money eventually will discourage banks from making long-term guaranteed and insured mortgage loans. These loans in volume, are sacred both to the Truman Administration and to influential elements in Congress.

Snyder Contradictory on EPT

Treasury Secretary Snyder's Atlantic City interview in which he was quoted as saying that the excess profits tax is the most difficult tax to administer that has ever been conceived, directly contradicted what the Secretary told the Finance Committee of the Senate.

Appearing before that Committee in December, 1950, Mr. Snyder acknowledged the criticism that EPT posed difficulties too great to be met. In the 1950 version of the bill passed by the House, said the Secretary, they had worked out a practicably equitable arrangement for levying this tax which met most of the criticisms.

The contradiction, however, is more apparent than real. The Truman Administration, following the dictates of the CIO about "soaking the corporations," had made EPT a major part of its economic policy. Mr. Snyder was forced to go along.

At Atlantic City, Mr. Snyder, like his colleague, Commerce Secretary Sawyer, probably voiced his personal unbiased opinion when he condemned the EPT and indicated it could die a statutory death June 30.

Neither Mr. Snyder nor Mr. Sawyer, however, are on this point responsible for 1953 policy. It will be up to the new Administration to make this decision. If a President beholden to the CIO is elected, he will find it difficult to recommend allowing EPT to lapse.

Congress, however, unless preponderantly left-wing, probably in any case will be disposed to let the Excess Profits Tax die. This disposition will get moral and some public support from the positions taken by the Secretaries of Commerce and the Treasury. The tax produces only an estimated $3 billion, it was learned on good authority.

Page "States Rights" in Tennessee

At a Federal cost of about $13,500,000, the Housing and Home Finance Agency has undertaken a project which will help beautify the area around the State Capitol grounds at Nashville.

The project is for the "elimination of slums and blight surrounding the Capitol building of Tennessee in Nashville," explained HHFA. For this purpose Raymond Foley, HHFA Administrator, has approved a temporary loan of $8,309,300 and a "capital grant" of $5,207,200. This will be used in the clearance and redevelopment of a 65-acre area surrounding the State Capitol.

"The redevelopment plan for the area provides for: (1) replacement of the slums pressing against the Capitol with commercial and light industrial uses; (2) improvement of the setting for the State government center now dominated by the historic Capitol building and flanked by the Library-Archives building; and (3) major rearrangements in the basic street and traffic pattern and land uses near the central business district," said HHFA.

Holding Co. Bill Slated for OK

It now appears most likely, regardless of the outcome of the Presidential election, that Congress next year will pass legislation restraining the growth of bank holding companies and discouraging the investment of such companies in non-bank enterprises.

This subject was agitated for years, but made little progress because under the former leadership of the Federal Reserve Board, the latter demanded a large discretion in deciding for itself how to restrain holding companies and how to define non-bank investments which should be barred.

With a change in the leadership of the Board, the Board shifted to the "moderate" approach toward bank holding company regulation. It became willing to abide by a statutory definition of a bank holding company and a principle of regulating without strangling bank holding companies.

This legislative project nevertheless failed in 1952 before Congress because the anti-holding company elements adopted an adamant attitude, insisting that virtually any bank holding company was a subterfuge to evade restraints against branch banking.

Meanwhile the Federal Reserve Board and the American Bankers Association have been bringing together all shades of opinion upon a compromise bill. Some definite agreement is expected to be reached before the next session of Congress. Chairman Maybank (D., S. C.) of the Senate Banking Committee, indicated that if he remains as Chairman, this legislation will get a green light in the Senate Committee.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"I'll leave the key inside the box so I won't lose it!"

Business Man's Bookshelf

Chemical Investments—An analysis of Research, Growth and Finances in the Chemical Industry—John F. Bohmfalk, Jr. — Chemonomics, Inc., 400 Madison Avenue, New York 17, N. Y.—paper $5.00.

Credit Management Year Book: 1952-1953—Compiled by A. Leonidas Trotta—Credit Management Division, National Retail Dry Goods Association, 100 West 31st Street, New York 1, N. Y.

Let the Investor Beware—M. Robert Spies—Published by "Mr. & Mrs. John Q. Public," 239 Stewart Avenue, Garden City, N. Y.—paper—$2.00.

A New Tax Manual for Pennsylvania and Its Communities—Community Assistance Committee, Pennsylvania Motor Truck Association, Telegraph Building, Harrisburg, Pa.

Over the Counter Securities Review—monthly pocket-size magazine, including earnings, dividends, and prices of unlisted companies, industry analyses, etc— one year's subscription, plus free copy of "Dividend Champions" — $3.50 — Over-the-Counter Securities Review, Dept. 15A, Jenkintown, Pa.

Re-Privatizing Public Enterprise — Economic Research Department, Chamber of Commerce of the United States, Washington 6, D. C. — paper — 50¢ per copy (lower prices on quantity orders).

Rockefeller Foundation, The—A Review for 1950 and 1951 — Chester I. Barnard — The Rockefeller Foundation, 49 West 49th Street, New York, N. Y.—paper.

Valuation of Going Companies for Purchase or Merger — Ford, Bacon & Davis, Inc., 39 Broadway, New York 6, N. Y.—paper.

What We Can Do About the Drug Menace—Albert Deutsch—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y.—paper—25¢.

With Denton & Co.

(Special to The Financial Chronicle)

PASADENA, Calif. — A. Wayne Hough has become associated with Denton & Company, 234 East Colorado Street. He was previously with Lester, Ryons & Co., and William R. Staats Co.

Three With R. A. Harrison

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — Lester J. Blucher, George C. Nicolaus and Roy L. B. Smith have joined the staff of Richard A. Harrison, 2200 Sixteenth Street.